
FISCAL TOPICS

Fiscal Services Division

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Tax Credit: Biodiesel Blended Fuel Tax Credit

The Biodiesel Blended Fuel Tax Credit is available to retail dealers who sell biodiesel blended motor fuel in Iowa. To qualify for the credit, the blend that is sold must be at least 5.0% biodiesel. The tax credit is currently equal to \$0.035 per blended gallon for blends of at least 5.0% biodiesel and less than 11.0%, and \$0.055 for blends of 11.0% and above.

The total amount of tax credits available in a year for a single taxpayer and for all taxpayers combined is not limited. Oversight is a function of Department of Revenue tax return auditing. The tax credit is refundable but not transferable.

Tax Credit Background

- Enabling Legislation: 2006 Iowa Acts, chapter [1142](#) (Regulation of Renewable Fuels and Energy Act)
- Iowa Code Citations:
 - [Section 422.11P](#) — Individual Income Tax
 - [Section 422.33](#)(11C) — Corporate Income Tax
- Administrative State Agency: None
- Sunset Date: January 1, 2025
- Transferable: No
- Refundable: Yes
- Carryforward: Yes
- Tax Review Committee Review Year: 2019

Legislative History

As originally enacted in 2006, the tax credit equaled \$0.03 per biodiesel blended gallon with biodiesel content of 2.0% or more. For a retailer to be eligible for the tax credit, at least 50.0% of all diesel gallons the retailer sold in a tax year had to be biodiesel blended gallons with a biodiesel content of 2.0% or higher. At the 2.0% minimum, \$0.03 per gallon was the equivalent of \$1.50 per gallon of pure biodiesel. The original tax credit carried a sunset date of January 1, 2012.

In 2008, the 50.0% biodiesel threshold was changed to apply per retail location, as opposed to per retailer.

In 2011, legislation was enacted that removed the 50.0% sales threshold. The tax credit was also changed to \$0.045 per gallon of biodiesel blended fuel with a biodiesel content of at least 5.0%. At the 5.0% minimum, \$0.045 per gallon was the equivalent of \$0.90 per gallon of pure biodiesel. The tax credit sunset date was extended six years to January 1, 2018.

In 2016, legislation was enacted that lowered the tax credit for blends of at least 5.0% but below 11.0% to \$0.035 per blended gallon (from \$0.045) and provided a tax credit of \$0.055 per blended gallon for blends of 11.0% or higher.

More Information

Department of Revenue Contingent Liabilities Report: tax.iowa.gov/reports?term_node_tid_depth=79

Department of Revenue Tax Credit Review:

tax.iowa.gov/sites/default/files/2020-06/Iowa_Biofuel_Retailer_Tax_Credits_Evaluation_Study_2019.pdf

Department of Revenue Tax Credits Users' Manual:

tax.iowa.gov/sites/default/files/2020-11/TaxCreditsUsersManual2020.pdf

Department of Revenue Retailers Motor Fuel Gallons Annual Report:

tax.iowa.gov/sites/default/files/2021-03/2020_Retailers_Fuel_Gallons_Annual_Report.pdf

Legislative Services Agency Individual Income Tax Guide: www.legis.iowa.gov/docs/publications/LG/711304.pdf

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The changes became effective beginning January 1, 2018. A provision was also added that allows 10.0% blends to qualify as 11.0% blends if a blending error has occurred. At the 5.0% minimum, \$0.035 per gallon is the equivalent of \$0.70 per gallon of pure biodiesel, and at the 11.0% minimum (without the error allowance), \$0.055 per blended gallon is the equivalent of \$0.50 per gallon of pure biodiesel. In addition, the tax credit sunset date was extended seven years to January 1, 2025.

Biodiesel Blended Fuel Tax Credit Parameter History

Year	Credit Per Blended Gallon	Biodiesel Content Threshold	Biodiesel Sales Percentage Threshold	Credit Calculation
CY 2006	\$ 0.030	2.0%	50.0% Biodiesel Sales Required	Company-Wide
CY 2007	\$ 0.030	2.0%	50.0% Biodiesel Sales Required	Company-Wide
CY 2008	\$ 0.030	2.0%	50.0% Biodiesel Sales Required	Company-Wide
CY 2009	\$ 0.030	2.0%	50.0% Biodiesel Sales Required	Retail Location
CY 2010	\$ 0.030	2.0%	50.0% Biodiesel Sales Required	Retail Location
CY 2011	\$ 0.030	2.0%	50.0% Biodiesel Sales Required	Retail Location
CY 2012	\$0.020, \$0.045	2.0% and 5.0%	None	Company-Wide
CY 2013	\$ 0.045	5.0%	None	Company-Wide
CY 2014	\$ 0.045	5.0%	None	Company-Wide
CY 2015	\$ 0.045	5.0%	None	Company-Wide
CY 2016	\$ 0.045	5.0%	None	Company-Wide
CY 2017	\$ 0.045	5.0%	None	Company-Wide
CY 2018*	\$0.035, \$0.055	5.0% and 11.0%	None	Company-Wide

* CY 2018 through CY 2024

Tax Credit Review, Usage, and Future Liability

The following is based on the Department of Revenue review of the Biodiesel Blended Fuel Tax Credit released December 2019 and the Department's 2020 Retailers Fuel Gallons Annual Report.

- For calendar year 2020:
 - Iowa retailers reported the sale of 493.7 million gallons of biodiesel blended diesel fuel, an amount equal to 60.7% of all diesel gallons sold by the reporting retailers.
 - The average biodiesel content of the biodiesel blended gallons was 13.5%.
 - The pure biodiesel gallons calculated as components of blended biodiesel totaled 66.8 million gallons, an amount equal to 8.2% of all the diesel fuel (both blended and unblended) reported sold by the reporting retailers.
 - For clear diesel (taxed fuel for road use), the pure biodiesel percentage was 10.3% of total clear diesel fuel sales. For dyed diesel (not taxed, for farm and other off-road purposes), the pure biodiesel percentage was 1.8% of dyed total sales.
 - Using a conversion rate of 1.5 gallons of biodiesel per bushel of soybeans, the 66.8 million gallons of pure biodiesel sold in Iowa as a component of blended biodiesel represents the utilization of 44.5 million bushels of soybeans (8.8% of the 2020 Iowa soybean crop).
- From tax year (TY) 2006 through TY 2019:
 - A total of \$168.0 million in Biodiesel Blended Fuel Tax Credit claims was made by taxpayers, with 17.9% made on corporate tax returns and 82.1% on individual tax returns, including business income passed through to the individual income tax return.
 - Over the 14 tax years, the average number of entities claiming the tax credit for a year was 110 and the top 20 entities (as determined by the amount of tax credits earned in a year by each entity) received 97.2% of the tax credit amounts claimed.

The Department of Revenue reports on the annual credit usage for the Biodiesel Blended Fuel Tax Credit in its periodic [Contingent Liabilities Report](#). Based on Table 9 of that report, the following table and graph provide credit redemption history and projections for the Biodiesel Blended Fuel Tax Credit on a fiscal year basis. The blue bars of the graph indicate actual credit redemptions, while the red bars are Department of Revenue projections of future redemptions.

Biodiesel Blended Fuel Tax Credit History

* Projected

Fiscal Year	Tax Credit Redemptions	Fiscal Year	Tax Credit Redemptions
FY 2007	\$ 336,891	FY 2017	\$ 17,577,285
FY 2008	3,274,725	FY 2018	18,341,310
FY 2009	4,663,317	FY 2019	17,324,072
FY 2010	4,672,393	FY 2020	18,246,858
FY 2011	5,579,342	FY 2021	21,839,961
FY 2012	6,868,889	*FY 2022	23,980,270
FY 2013	7,115,417	*FY 2023	24,597,373
FY 2014	13,291,574	*FY 2024	25,284,479
FY 2015	15,023,422	*FY 2025	25,835,914
FY 2016	15,054,678	*FY 2026	20,568,970

