
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 selling 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 \$0.050 per blended gallon for blends of at least 11.0% biodiesel but less than 20.0%, \$0.070 for blends of at least 20.0% but less than 30.0%, and \$0.100 for blends of at least 30.0%.

The total amount of tax credits available in a year for a single taxpayer and for all taxpayers combined is not limited. Oversight of the tax credits is a function of the Iowa Department of Revenue (IDR). 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, 2028
- 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As originally enacted in 2006, the tax credit equaled \$0.03 per biodiesel blended gallon with biodiesel content of 2.0% or more.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.

More Information

Department of Revenue Contingent Liabilities Report: tax.iowa.gov/report-category/contingent-liabilities

Department of Revenue Tax Credit Review:

[tax.iowa.gov/sites/default/files/2020-06/Iowa Biofuel Retailer Tax Credits Evaluation Study 2019.pdf](http://tax.iowa.gov/sites/default/files/2020-06/Iowa%20Biofuel%20Retailer%20Tax%20Credits%20Evaluation%20Study%202019.pdf)

Department of Revenue Tax Credits Users' Manual: tax.iowa.gov/reports/tax-credits-users-manual

Department of Revenue Retailers Motor Fuel Gallons Annual Report:

tax.iowa.gov/retailers-fuel-gallons-annual-report

Legislative Services Agency Individual Income Tax Guide:

www.legis.iowa.gov/docs/publications/LG/711304.pdf

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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. 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. The tax credit sunset date was extended seven years to January 1, 2025.

In 2022, legislation was enacted that removed the tax credit for blends below 11.0% and provided a tax credit of \$0.050 per blended gallon for blends at or higher than 11.0% but below 20.0%, \$0.070 per blended gallon for blends at or higher than 20.0% but below 30.0%, and \$0.100 per blended gallon for blends at or higher than 30.0%. At the 11.0% minimum, \$0.050 per gallon is the equivalent of \$0.45 per gallon of pure biodiesel; at the 20.0% minimum, \$0.070 per gallon is the equivalent of \$0.35 per gallon of pure biodiesel; and at the 30.0% minimum, \$0.100 is the equivalent of \$0.33 per gallon of pure biodiesel. In addition, the tax credit sunset date was extended three years to January 1, 2028.

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 2019	\$0.035, \$0.055	5.0% and 11.0%	None	Company-Wide
CY 2020	\$0.035, \$0.055	5.0% and 11.0%	None	Company-Wide
CY 2021	\$0.035, \$0.055	5.0% and 11.0%	None	Company-Wide
CY 2022	\$0.035, \$0.055	5.0% and 11.0%	None	Company-Wide
CY 2023*	\$0.050, \$0.070, \$0.100	11.0%, 20.0% and 30.0%	None	Company-Wide

* CY 2023 through CY 2027

Tax Credit Review, Usage, and Future Liability

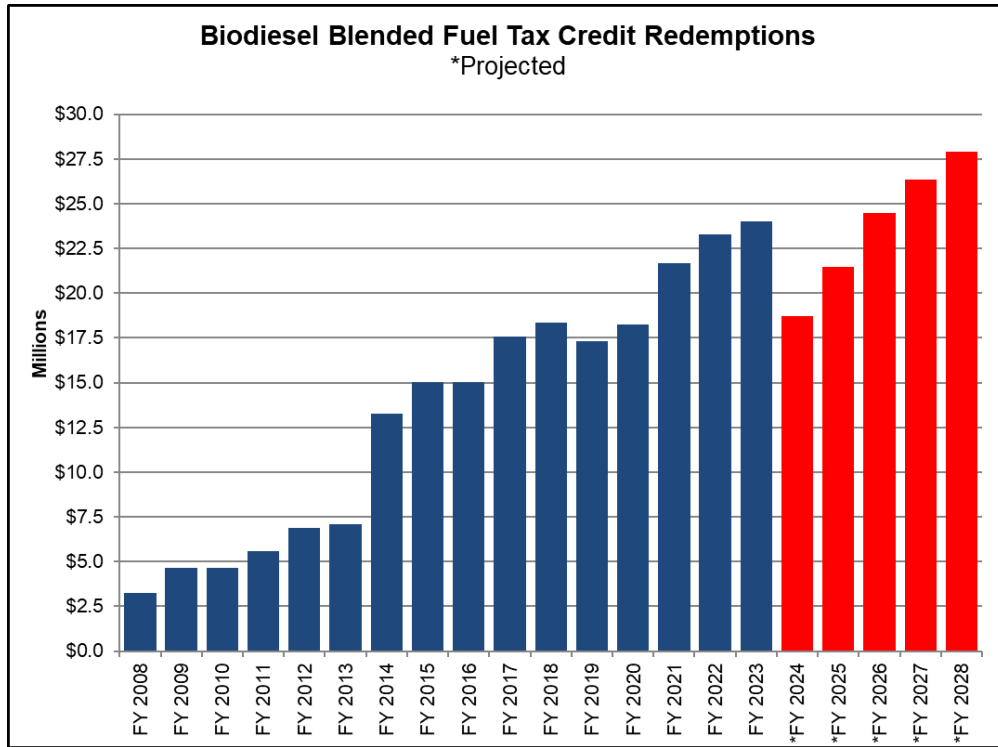
The following is based on the Department of Revenue review of the Biodiesel Blended Fuel Tax Credit released December 2019 and the Department's 2022 Retailers Fuel Gallons Annual Report.

- For calendar year 2022:
 - Iowa retailers reported the sale of 350.1 million gallons of biodiesel blended diesel fuel, an amount equal to 49.5% of all diesel gallons sold by the reporting retailers.
 - The average biodiesel content of the biodiesel blended gallons was 14.1%.

- The pure biodiesel gallons calculated as components of blended biodiesel totaled 47.7 million gallons, an amount equal to 6.7% 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 8.8% of total clear diesel fuel sales. For dyed diesel (not taxed, for farm and other off-road purposes), the pure biodiesel percentage was 1.4% of dyed total sales.
- Using a conversion rate of 1.5 gallons of biodiesel per bushel of soybeans, the 47.7 million gallons of pure biodiesel sold in Iowa as a component of blended biodiesel represents the utilization of 31.8 million bushels of soybeans (5.4% of the 2022 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 the October 2023 report, the following table and graph figures 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			
<u>Fiscal Year</u>	<u>Tax Credit Redemptions</u>	<u>Fiscal Year</u>	<u>Tax Credit Redemptions</u>
FY 2008	\$ 3,274,725	FY 2019	\$ 17,325,754
FY 2009	4,663,317	FY 2020	18,228,979
FY 2010	4,672,393	FY 2021	21,684,356
FY 2011	5,579,342	FY 2022	23,291,103
FY 2012	6,868,889	FY 2023	23,989,521
FY 2013	7,115,417	*FY 2024	18,727,845
FY 2014	13,291,574	*FY 2025	21,448,772
FY 2015	15,023,422	*FY 2026	24,470,593
FY 2016	15,054,678	*FY 2027	26,351,187
FY 2017	17,577,285	*FY 2028	27,930,043
FY 2018	18,341,310		



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