
FISCAL TOPICS

Fiscal Services Division

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Tax Credit: Biodiesel Production Credit

The Biodiesel Production Credit is available to qualified producers of biodiesel. The credit is equal to \$0.040 per gallon of pure biodiesel produced in the State. A single producer is limited to no more than \$1.0 million in production credits each year. The tax credit is paid to the producer by the Department of Revenue through a sales tax refund process. The production credit expires at the end of calendar year (CY) 2027.

Tax Credit Background

- Enabling Legislation: 2011 Iowa Acts, chapter [113](#) (Motor Fuels Regulation, Dispensing, and Tax Credit Act)
- Iowa Code Citations:
 - Section [423.4](#)(9) — Sales and Use Tax Refund and Program Description
 - Section [422.7](#)(54) — Individual Income Tax
 - Section [422.35](#)(25) — Corporate Income Tax
- Administrative State Agency: Iowa Department of Revenue
 - Sunset Date: January 1, 2028
 - Transferable: No
 - Refundable: Yes
 - Carryforward: None
 - Tax Review Committee Review Year: None

Legislative History

As originally enacted in 2011, the Biodiesel Production Credit was available for gallons produced during calendar years 2012 through 2014. The credit equaled \$0.030 for CY 2012, \$0.025 for CY 2013, and \$0.020 for CY 2014. In 2014 legislation, the credit was extended to the end of CY 2018 at a rate of \$0.020 per gallon. In 2016, the \$0.020 per gallon credit was extended to a sunset date at the end of CY 2024. In 2022, the per gallon credit was increased to \$0.040 per gallon and was extended to a sunset date at the end of CY 2027.

The production credit is defined in Iowa Code section [423.4](#)(9) as a sales/use tax refund. However, the biodiesel producer is not required to have had any sales/use tax liability for the year in order to qualify for and redeem the sales/use tax refund. The credit is also allowed to be redeemed through the individual and/or corporate income tax filing process. Claiming the credit requires quarterly filing of form [IA 843](#) with the Department of Revenue.

More Information

Department of Revenue Biodiesel Credit Rule: legis.iowa.gov/docs/iac/rule/701.277.1.pdf

Iowa Biodiesel Board: iowabiodiesel.org/iowa-biodiesel/plant-locations

Legislative Services Agency Sales and Use Tax Guide: legis.iowa.gov/docs/publications/LG/15813.pdf

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Tax Credit Review, Usage, and Future Liability

According to the Iowa Biodiesel Board, there are 11 biodiesel plants in Iowa, with a combined annual production capacity of 410.0 million gallons. In 2022 these plants produced 349.0 million gallons. For 2022, the credit was allowed on 214.1 million gallons of biodiesel production. Over the 11 calendar years of availability, Biodiesel Production Credit awards averaged 201.9 million gallons of annual biodiesel production.

No periodic or formal review of the Biodiesel Production Credit is conducted. The credit is not part of the review schedule of the Tax Expenditure Study Committee, and it is not included in the Department of Revenue [Contingent Liabilities Report](#). The following table and chart are based on periodic updates made available by the Department of Revenue to the Revenue Estimating Conference and to the Legislative Services Agency.

* Projected			
Year	Tax Credit Redemptions	Year	Tax Credit Redemptions
FY 2008	\$ 0	FY 2019	4,320,000
FY 2009	0	FY 2020	4,400,000
FY 2010	0	FY 2021	4,270,000
FY 2011	0	FY 2022	4,280,000
FY 2012	1,260,000	FY 2023	4,290,000
FY 2013	5,160,000	FY 2024*	4,300,000
FY 2014	4,530,000	FY 2025*	4,310,000
FY 2015	3,660,000	FY 2026*	4,320,000
FY 2016	4,010,000	FY 2027*	4,330,000
FY 2017	4,250,000	FY 2028*	4,340,000
FY 2018	4,360,000	FY 2029*	4,350,000

