
FISCAL TOPICS

Fiscal Services Division

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Tax Credit: Renewable Chemical Production Tax Credit

The Renewable Chemical Production Tax Credit is available to approved businesses that produce renewable chemicals from biomass feedstock in Iowa. The tax credit is equal to \$0.05 per pound of renewable chemicals produced. To qualify for the credit, a business must apply to and enter into an agreement with the Iowa Economic Development Authority (IEDA) prior to the production of any pound of chemical that will earn the tax credit.

The tax credit is available for qualified renewable chemicals produced from January 1, 2017, through December 31, 2035. A business that is producing an eligible chemical prior to application to the IEDA may only receive credits for an increase in production above the production level prior to the application. A renewable chemical that may qualify for the tax credit is defined as a chemical with a biobased content of at least 50.0%. A qualified chemical cannot be sold or used for the production of feed, food, or fuel.

An approved business that has been in operation in Iowa for five years or less may earn annual tax credits of up to \$1.0 million through the program. An approved business may earn tax credits for no more than five years. Taken together, the requirements mean that a qualified company may receive no more than \$5.0 million through the program.

The annual total for all eligible chemicals earning tax credits in a fiscal year is limited to no more than \$5.0 million.

The IEDA Board, in cooperation with the Iowa Department of Revenue (IDR), is required to submit an [annual report](#) to the General Assembly and Governor describing the activities of the program. The annual report is due by January 31 and is to cover the tax credit program activities of the previous calendar year.

Tax Credit Background

- Enabling Legislation: 2016 Iowa Acts, chapter [1065](#) (High Quality Jobs Program and Renewable Chemical Production Credit Act)
- Iowa Code Citations:
 - Sections [15.315 through 15.321](#) — Program Description
 - Section [422.10B](#) — Individual Income Tax
 - Section [422.33\(22\)](#) — Corporate Income Tax
- Administrative State Agencies: the IEDA and the IDR
- Sunset Date: Production eligibility ends December 31, 2035.
- Transferable: No
- Refundable: Yes
- Carryforward: Unused credits may be carried forward to the next tax year.
- Tax Review Committee Review Year: 2022

More Information

Department of Revenue Tax Credits Users' Manual: revenue.iowa.gov/media

Renewable Chemical Production Tax Credit Program 2023 Annual Report:

www.legis.iowa.gov/docs/publications/DF/1287342.pdf

Legislative Services Agency Individual Income Tax Guide:

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

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Legislative History

The Renewable Chemical Production Tax Credit was enacted in 2016 and became available January 1, 2017. As originally enacted, the aggregate amount of tax credits issued in a fiscal year was limited to \$10.0 million. The annual aggregate limit was reduced to \$5.0 million in 2021. The sunset date was extended through December 31, 2035, in 2023 Iowa Acts, [chapter 116](#) (Economic Development Authority Policy Act).

Tax Credit Review, Usage, and Future Liability

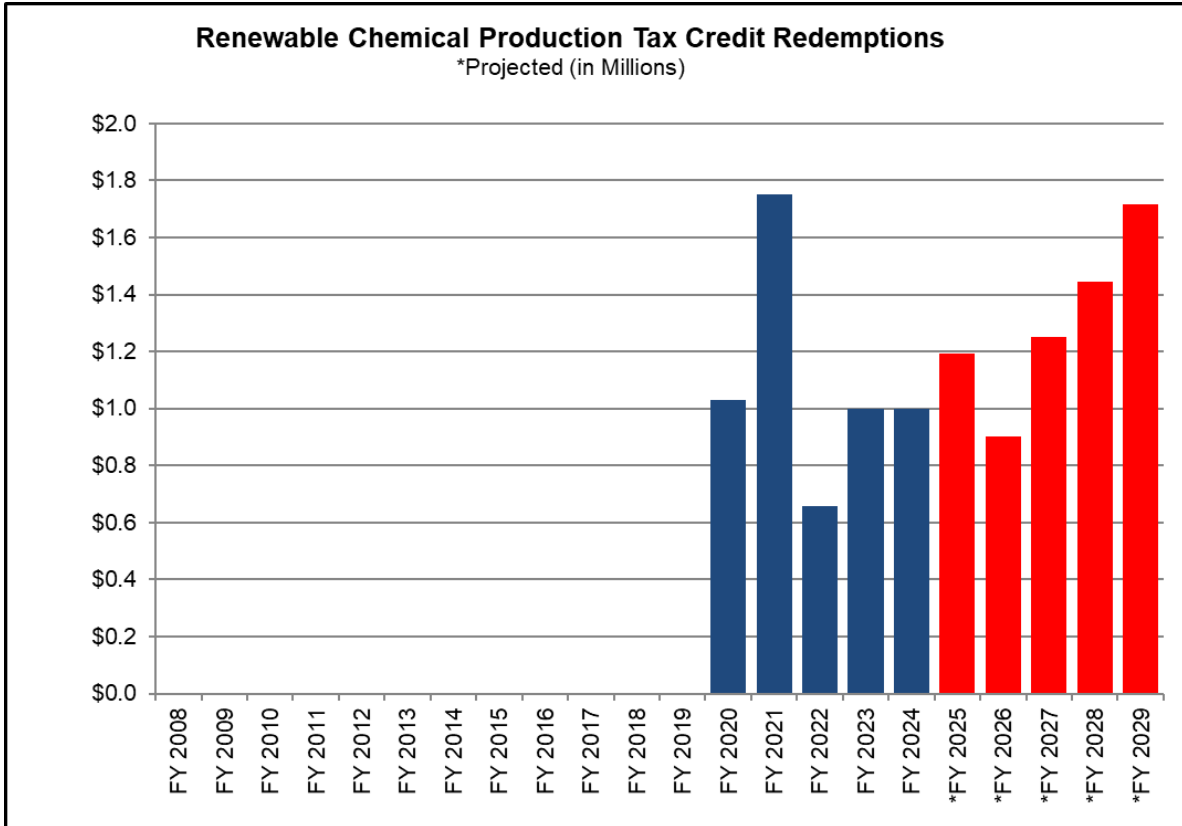
The annual report required under Iowa Code section [15.320](#) is to be delivered by the IEDA to the General Assembly and Governor by January 31 following the end of a calendar year. The annual report requirements include the publication of aggregate employment, chemical production, and tax credit award information for businesses approved under this tax credit program.

- The first [report](#) was filed January 20, 2020, and indicates that \$1.5 million in tax credits were issued in 2019 to Glycerin Group, LLC (doing business as KemX Global) for 2017 and 2018 chemical production.
- The second [report](#) was filed January 29, 2021, and indicates that SBK2, LLC (\$500,000) and AgCertain Boone, LLC (\$751,000) were awarded FY 2020 tax credits for chemicals produced in 2019.
- The third [report](#) was filed February 14, 2022, and indicates that AgCertain Boone, LLC is eligible for a maximum tax credit of \$1.0 million.
- The fourth [report](#) was filed January 5, 2023, and indicates that AgCertain Boone, LLC (\$1.0 million) and Cargill Incorporated (\$165,202) are eligible for maximum tax credits for chemicals produced in 2021.
- The fifth [report](#) was filed February 23, 2024, and indicates that AgCertain Boone, LLC is eligible for a maximum tax credit of \$1.0 million.

AgCertain Boone, LLC acquired KemX Global in 2019 and, according to the 2020 annual report, also assumed control of the production facility previously owned by SBK2, LLC in 2019. Citing confidentiality requirements, the 2019 through 2023 reports state that the IEDA cannot provide the other statistics required by Iowa Code section 15.320.

The IDR reports on the annual credit usage for the Renewable Chemical Production Tax Credit in its periodic [Contingent Liabilities Report](#). Based on Table 8 of the October 2024 report, the following figures provide credit redemption projections for the Renewable Chemical Production Tax Credit on a fiscal year basis. The blue bars on the graph indicate actual credit redemptions, while the red bars are IDR projections of future redemptions.

Renewable Chemical Production Tax Credit History			
*Projected			
Fiscal Year	Tax Credit Redemptions	Fiscal Year	Tax Credit Redemptions
FY 2008	\$ 0	FY 2019	865
FY 2009	0	FY 2020	1,028,076
FY 2010	0	FY 2021	1,751,704
FY 2011	0	FY 2022	657,439
FY 2012	0	FY 2023	1,000,000
FY 2013	0	FY 2024	1,000,000
FY 2014	0	*FY 2025	1,192,176
FY 2015	0	*FY 2026	901,089
FY 2016	0	*FY 2027	1,251,277
FY 2017	0	*FY 2028	1,445,633
FY 2018	0	*FY 2029	1,716,689



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