Legislative Services Agency
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Fiscal Services Division

Fiscal Topic

Tax Credit: Sustainable Aviation Fuel Production Tax Credit

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Purpose and History

The Sustainable Aviation Fuel (SAF) Production Tax Credit is available for SAF produced in Iowa. SAF is the portion of a liquid fuel that is derived from feedstock not including palm fatty acid distillates and that achieves at least a 50.0% lifecycle greenhouse gas emissions reduction in comparison with petroleum-based aviation gasoline, aviation turbine fuel, and jet fuel. The tax credit is equal to $0.25 multiplied by the number of gallons of SAF produced in Iowa from feedstock, defined as any organic matter processed or refined in the State suitable for SAF production without further enhancement, which includes ethanol, corn oil, soybean oil, animal fats, used cooking oil, and algae.

The SAF Production Tax Credit is available against individual income and corporate income taxes. An eligible business is required to apply to the Iowa Economic Development Authority (IEDA) for the tax credit and enter into an agreement with the IEDA for successful completion of all requirements of the program. Beginning in FY 2026, in combination with the Renewable Chemical Production Tax Credit, the combined amount of SAF tax credits the IEDA may issue each fiscal year is $10.0 million. The maximum amount of SAF tax credits the IEDA may issue to an eligible business in a calendar year is $1.0 million.

Tax Credit Background

- Enabling Legislation: 2025 Iowa Acts, chapter 136 (Economic Development Programs and Credits Act)
- Iowa Code Citations:
  - Chapter 15 — Program Description
  - Section 422.10C — Individual Income Tax
  - Section 422.33(23) — Corporate Income Tax
- Administrative State Agencies: Iowa Department of Revenue (IDR) and IEDA
- Sunset Date: January 1, 2037
- Transferable: No
- Refundable: Yes
- Carryforward: Instead of a refund, the taxpayer may choose to carry forward unused credits to the following tax year.
- Legislative Tax Expenditure Committee Review Year: None

Legislative History

The SAF Production Tax Credit became effective for SAF produced in Iowa beginning on January 1, 2026, and will end on December 31, 2035. The IEDA is prohibited from issuing any tax credits before July 1, 2026, and prohibits taxpayers from making tax credit claims prior to September 1, 2026. As of May 2025, there were no SAF producers in Iowa.

The Inflation Reduction Act (IRA) of 2022 created a federal SAF tax credit that was available for calendar year (CY) 2023 and CY 2024 at $1.25 per gallon of SAF in a qualified mixture, with a potential supplemental credit for lower greenhouse gas emissions, up to a maximum tax credit of $1.75 per gallon. Beginning in CY 2025, SAF producers will transition to the Clean Fuel Production Credit (CFPC) created in the IRA for fuel produced before January 1, 2028. The One Big Beautiful Bill Act (OBBBA) of 2025 extended the federal tax credit to SAF producers for fuel produced before January 1, 2030.

Tax Credit Review, Usage, and Future Liability

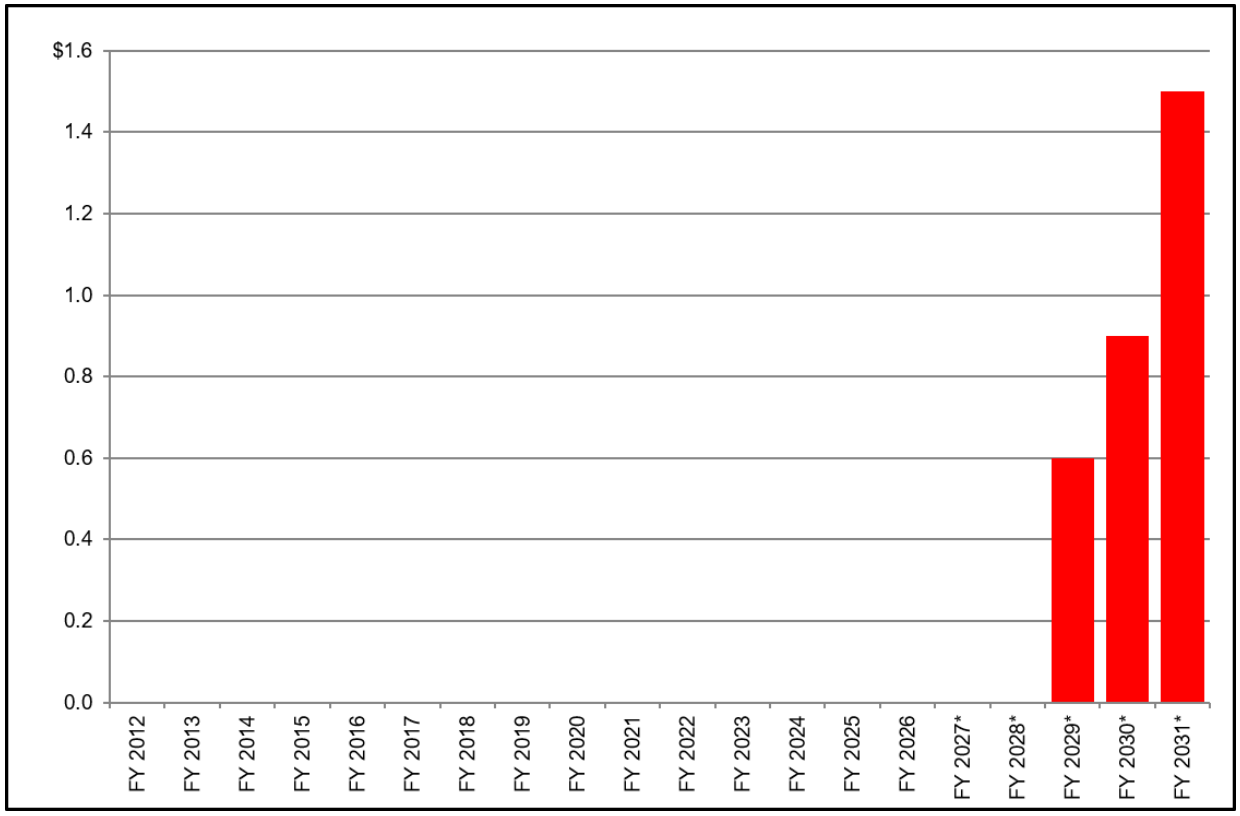
The IDR reports on the annual credit usage for the SAF Tax Credit in its periodic Contingent Liabilities Report. Based on Table 8 of the report, the following figures provide credit redemption history and projections for the SAF Production Tax Credit on a fiscal year basis. The blue bars of **Figure 2** indicate the actual credit redemptions (no redemptions have been made through FY 2026), while the red bars are the IDR projections of future redemptions.

Figure 1 — Sustainable Aviation Fuel Production Tax Credit History

*Projected

Fiscal Year	Tax Credit Redemptions	Fiscal Year	Tax Credit Redemptions
FY 2012	$ 0	FY 2022	$ 0
FY 2013	0	FY 2023	0
FY 2014	0	FY 2024	0
FY 2015	0	FY 2025	0
FY 2016	0	FY 2026	0
FY 2017	0	FY 2027*	0
FY 2018	0	FY 2028*	0
FY 2019	0	FY 2029*	600,000
FY 2020	0	FY 2030*	900,000
FY 2021	0	FY 2031*	1,500,000

Figure 2 — Sustainable Aviation Fuel Production Tax Credit History
*Projected (in Millions)



Additional Information

For additional information, visit:

- Iowa Department of Revenue Contingent Liabilities Report
- Iowa Department of Revenue Tax Credit Users' Manual
- Legislative Services Agency Individual Income Tax Guide

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