Legislative Services Agency
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Fiscal Services Division

Fiscal Topic

Tax Credit: Biodiesel Blended Fuel Tax Credit

November 5, 2026

Purpose and History

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 Agencies: 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As originally enacted in 2006, the tax credit equaled $0.03 per biodiesel blended gallon with biodiesel content of 2.0% or more.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 $1.500 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 $0.900 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 less than 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 $0.700 per gallon of pure biodiesel, and at the 11.0% minimum (without the error allowance), $0.055 per blended gallon is the equivalent of $0.500 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 $0.450 per gallon of pure biodiesel; at the 20.0% minimum, $0.070 per gallon is the equivalent of $0.350 per gallon of pure biodiesel; and at the 30.0% minimum, $0.100 is the equivalent of $0.330 per gallon of pure biodiesel. In addition, the tax credit sunset date was extended three years to January 1, 2028.

Figure 1 — 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 2024	$0.050, $0.070, $0.100	11.0%, 20.0% and 30.0%	None	Company-Wide
CY 2025*	$0.050, $0.070, $0.100	11.0%, 20.0% and 30.0%	None	Company-Wide

* CY 2025 through CY 2027

Tax Credit Review, Usage, and Future Liability

The following is based on the IDR review of the Biodiesel Blended Fuel Tax Credit released in December 2024 and the IDR's 2025 Retailers Fuel Gallons Annual Report.

- For calendar year 2025:
  - Iowa retailers reported the sale of 348.2 million gallons of biodiesel blended diesel fuel, an amount equal to 36.3% of all diesel gallons sold by the reporting retailers.
  - The average biodiesel content of the biodiesel blended gallons was 14.6%.
  - The pure biodiesel gallons calculated as components of blended biodiesel totaled 50.9 million gallons, an amount equal to 5.3% of all 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 6.7% of total clear diesel fuel sales. For dyed diesel (not taxed, for farm and other off-road purposes), the pure biodiesel percentage was 0.9% of dyed total sales.
- Using a conversion rate of 1.5 gallons of biodiesel per bushel of soybeans, the 50.9 million gallons of pure biodiesel sold in Iowa as a component of blended biodiesel represents the utilization of 33.9 million bushels of soybeans (5.7% of the 2025 Iowa soybean crop).

- From tax year (TY) 2006 through TY 2022:
  - A total of $234.1 million in Biodiesel Blended Fuel Tax Credit claims was made by taxpayers, with 22.7% made on corporate tax returns and 77.3% on individual tax returns, including business income passed through to the individual income tax return.
  - Over these 17 tax years, the average number of claims for the tax credit per year was 270 and the average tax credit claim was $37,000, with an average corporate tax credit claim of $113,000 and an average individual income tax credit claim of $44,000.
  - The IDR reports on the annual credit usage for the Biodiesel Blended Fuel Tax Credit in its periodic Contingent Liabilities Report. Based on Table 8 of the 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 **Figure 3** indicate actual credit redemptions, while the red bars are IDR projections of future redemptions.

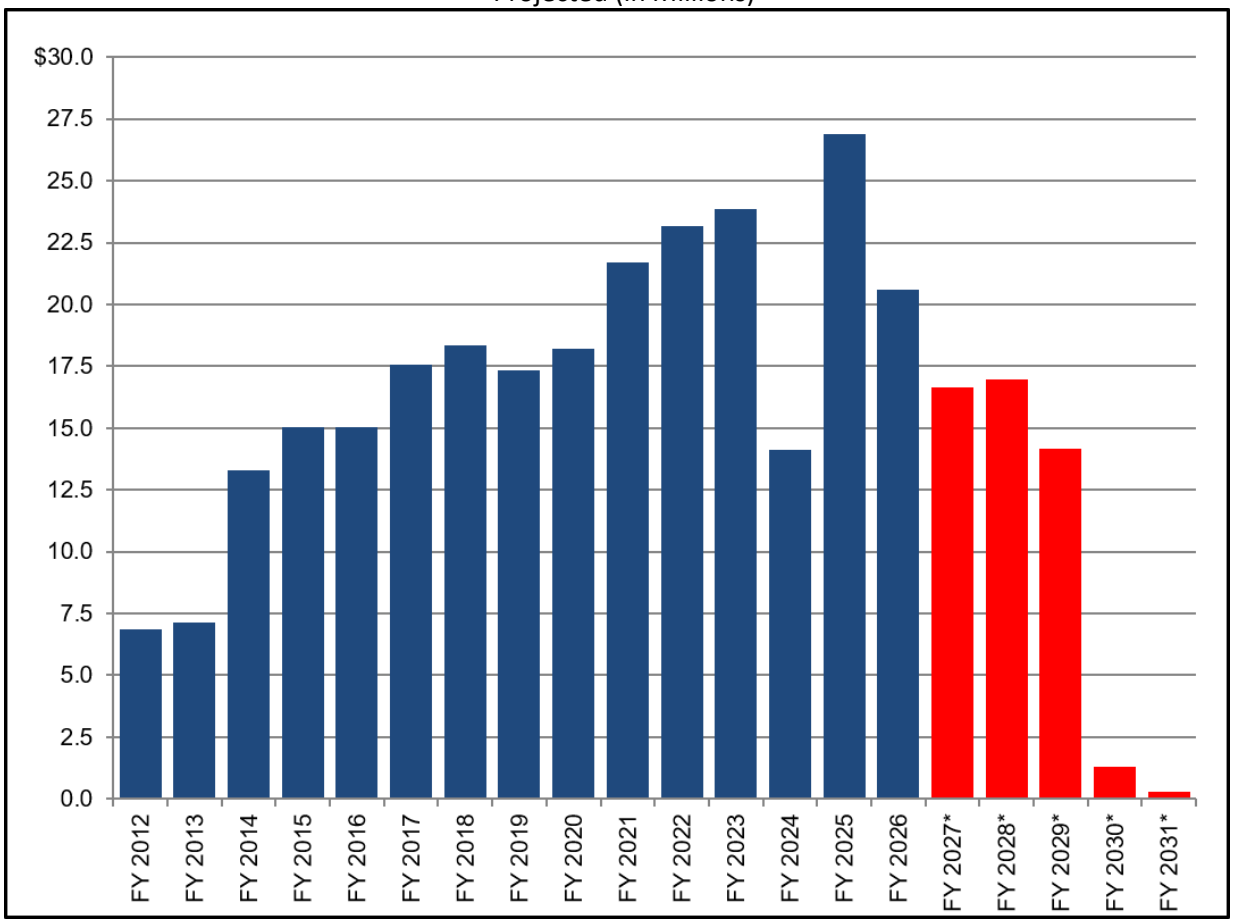
Figure 2 — Biodiesel Blended Fuel Tax Credit History

*Projected

Fiscal Year	Tax Credit Redemptions	Fiscal Year	Tax Credit Redemptions
FY 2012	$ 6,868,889	FY 2022	$ 23,153,769
FY 2013	7,115,417	FY 2023	23,865,730
FY 2014	13,291,574	FY 2024	14,114,668
FY 2015	15,023,422	FY 2025	26,874,045
FY 2016	15,054,678	FY 2026	20,588,373
FY 2017	17,577,285	FY 2027*	16,641,120
FY 2018	18,341,310	FY 2028*	16,959,373
FY 2019	17,325,754	FY 2029*	14,176,813
FY 2020	18,228,979	FY 2030*	1,286,565
FY 2021	21,684,356	FY 2031*	274,153

Figure 3 — Biodiesel Blended Fuel Tax Credit Redemptions

*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
- Legislative Service Agency Corporate Income Tax and Franchise Tax Guide
- Iowa Department of Revenue Tax Credit Review
- Iowa Department of 2025 Retailers Fuel Gallons Annual Report

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