

House File 2639 - Introduced

HOUSE FILE _____
BY COMMITTEE ON ECONOMIC GROWTH
(SUCCESSOR TO HSB 762)

Passed House, Date _____ Passed Senate, Date _____
Vote: Ayes _____ Nays _____ Vote: Ayes _____ Nays _____
Approved _____

A BILL FOR

1 An Act providing for a residual biomass tax credit, and including
2 effective and applicability dates.
3 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:
4 TLSB 5602HV 82
5 da/rj/5

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1 1 Section 1. NEW SECTION. 422.11V RESIDUAL BIOMASS TAX
1 2 CREDIT.
1 3 1. The taxes imposed under this division, less the credits
1 4 allowed under section 422.12, shall be reduced by a residual
1 5 biomass tax credit as allowed under section 469.41.
1 6 2. This section is repealed December 31, 2015.
1 7 Sec. 2. Section 422.33, Code Supplement 2007, is amended
1 8 by adding the following new subsection:
1 9 NEW SUBSECTION. 11D. a. The taxes imposed under this
1 10 division shall be reduced by a residual biomass tax credit as
1 11 allowed under section 469.41.
1 12 b. This subsection is repealed December 31, 2015.
1 13 Sec. 3. Section 469.31, Code Supplement 2007, is amended
1 14 by adding the following new subsections:
1 15 NEW SUBSECTION. 4A. "Biofuel" means a combustible liquid
1 16 or gas derived from a biomass that alone or in combination
1 17 with other compounds is capable of fueling an engine or being
1 18 burned to produce steam for industrial heating. "Biofuel"
1 19 includes but is not limited to ethanol or biodiesel as defined
1 20 in section 214A.1.
1 21 NEW SUBSECTION. 4B. "Biofuel manufacturer" means a
1 22 biobased materials industry organized as a business
1 23 association in this state that produces biofuel.
1 24 NEW SUBSECTION. 11. "Residual cellulosic biomass" means
1 25 that type of cellulosic biomass that does not have nutritional
1 26 or caloric value when fed to agricultural animals, including
1 27 but not limited to wheat and rice straw, corn stalks and cobs,
1 28 seed husks and hulls, and manure.
1 29 Sec. 4. Section 469.31, subsection 7, Code Supplement
1 30 2007, is amended to read as follows:
1 31 7. ~~"Cellulosic biomass renewable fuel" biomass~~ means
1 32 ~~renewable fuel derived from a lignocellulosic or~~
~~1 33 hemicellulosic lignocellulosic matter that contains any~~
~~1 34 combination of lignin, cellulose, or hemicellulose that~~
~~1 35 comprises at least sixty-five percent of the material and dry~~
~~2 1 matter basis. "Cellulosic biomass" includes matter that is~~
2 2 ~~deriving from nonfood or animal feed sources and~~ available on
2 3 a renewable or recurring basis, including dedicated energy
2 4 crops and trees, wood and wood residues, plants, grasses,
2 5 agricultural residues, fiber, animal wastes and other waste
2 6 materials, refuse-derived fuel, and municipal solid waste.
2 7 7A. "Cellulosic biomass renewable fuel" means a renewable
~~2 8 fuel derived from cellulosic biomass.~~
2 9 Sec. 5. NEW SECTION. 469.41 RESIDUAL BIOMASS TAX CREDIT.
2 10 A residual biomass tax credit is allowed under this
2 11 section. The tax credit is allowed against the taxes imposed
2 12 in chapter 422, division II, as provided in section 422.11V,
2 13 and in chapter 422, division III, as provided in section
2 14 422.33.
2 15 1. The purpose of the tax credit is to stimulate the
2 16 increased use of residual cellulosic biomass as an input in
2 17 the manufacture of a biofuel or other forms of renewable
2 18 energy.

2 19 2. The tax credit equals ten dollars for each ton of
2 20 residual cellulosic biomass as measured on a dry matter basis.
2 21 An assay will be performed by the purchaser of biomass to
2 22 determine the usable content and unusable portions shall be
2 23 discounted proportionately. A taxpayer shall not claim a tax
2 24 credit in excess of thirty-five thousand dollars in any tax
2 25 year.

2 26 3. A taxpayer shall not claim a tax credit under this
2 27 section unless the taxpayer provides or arranges for the
2 28 harvest and storage of residual cellulosic biomass and for its
2 29 delivery to a biofuel manufacturer.

2 30 4. A taxpayer's tax return shall include all of the
2 31 following:

2 32 a. A tax credit certificate issued by the office attached
2 33 to the taxpayer's tax return for the tax year for which the
2 34 tax credit is claimed.

2 35 (1) The office must review and approve an application for
3 1 a tax credit as provided by rules adopted by the office. The
3 2 office may approve the application and issue a certificate
3 3 only if it determines that the taxpayer and the biofuel
3 4 manufacturer are qualified for the tax credit.

3 5 (2) A tax credit certificate shall contain the taxpayer's
3 6 name, address, and tax identification number, and any other
3 7 information required by the office. The tax credit
3 8 certificate shall only list one type of tax to which the tax
3 9 credit may be applied. The tax credit may only be claimed
3 10 against the type of tax reflected on the certificate.

3 11 b. Receipts or assay reports provided by the biofuel
3 12 manufacturer attached to the taxpayer's tax return as required
3 13 by the office.

3 14 5. An individual may claim the tax credit allowed a
3 15 partnership, limited liability company, S corporation, estate,
3 16 or trust electing to have income taxed directly to the
3 17 individual. The amount claimed by the individual shall be
3 18 based upon the pro rata share of the individual's earnings
3 19 from the partnership, limited liability company, S
3 20 corporation, estate, or trust.

3 21 6. A tax credit in excess of the taxpayer's liability for
3 22 the tax year may be credited to the tax liability for the
3 23 following five years or until depleted, whichever is earlier.
3 24 A tax credit shall not be carried back to a tax year prior to
3 25 the tax year in which the taxpayer redeems the tax credit. A
3 26 tax credit shall not be transferable to any other person other
3 27 than the taxpayer's estate or trust upon the taxpayer's death.

3 28 7. This section is repealed December 31, 2015.

3 29 Sec. 6. EFFECTIVE AND APPLICABILITY DATE. This Act takes
3 30 effect January 1, 2010, and applies to tax years beginning on
3 31 or after that date.

3 32 EXPLANATION

3 33 This bill provides a residual biomass tax credit allowed
3 34 against income taxes for individuals under Code chapter 422,
3 35 division II, and businesses under Code chapter 422, division
4 1 III. The purpose of the tax credit is to stimulate the
4 2 increased use of residual cellulosic biomass as an input in
4 3 the manufacture of a biofuel (a combustible liquid or gas
4 4 derived from a biomass that alone or in combination with other
4 5 compounds is capable of fueling an engine or the production of
4 6 steam for industrial heating).

4 7 The amount of the tax credit is \$10 for each ton of
4 8 residual cellulosic biomass containing less than 65 percent
4 9 lignin, cellulose, or hemicellulose that is to be purchased by
4 10 a biofuel manufacturer. The tax credit cannot exceed \$35,000
4 11 per tax year.

4 12 The bill imposes certain conditions upon a taxpayer who
4 13 must provide or arrange for the harvesting, storage, and
4 14 delivery to a biofuel manufacturer of residual cellulosic
4 15 biomass.

4 16 The bill provides that the taxpayer's tax return must
4 17 include documentation including a tax credit certificate
4 18 issued by the office of energy independence. The office must
4 19 review and approve an application for a tax credit certificate
4 20 according to its rules, and the taxpayer may be required to
4 21 submit additional information with its tax return. The bill
4 22 provides for how persons may claim a tax credit who are equity
4 23 holders in a business. The bill also provides for the
4 24 issuance of a tax credit certificate, and for tax credit to be
4 25 carried forward.

4 26 This tax credit is eliminated on December 31, 2015.

4 27 The bill takes effect January 1, 2010, and applies to tax
4 28 years beginning on or after that date.

