

# House Study Bill 762

HOUSE FILE \_\_\_\_\_  
BY (PROPOSED COMMITTEE ON  
ECONOMIC GROWTH BILL BY  
CHAIRPERSON THOMAS)

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 5602HC 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 This section is repealed December 31, 2015.  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1 12 b. This subsection is repealed December 31, 2015.  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~~  
~~hemicellulosic lignocellulosic matter that contains any~~  
1 33 ~~combination of lignin, cellulose, or hemicellulose that~~  
1 34 ~~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 a feedstock 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 all of the following applies:

2 28 a. The taxpayer is qualified to provide for the storage,  
2 29 processing, and delivery of residual cellulosic biomass to a  
2 30 biofuel manufacturer.

2 31 b. The biofuel manufacturer is qualified to actively  
2 32 produce biofuel on a commercially viable scale.

2 33 4. A taxpayer's tax return shall include all of the  
2 34 following:

2 35 a. A tax credit certificate issued by the office attached  
3 1 to the taxpayer's tax return for the tax year for which the  
3 2 tax credit is claimed.

3 3 (1) The office must review and approve an application for  
3 4 a tax credit as provided by rules adopted by the office. The  
3 5 office may approve the application and issue a certificate  
3 6 only if it determines that the taxpayer and the biofuel  
3 7 manufacturer are qualified for the tax credit.

3 8 (2) A tax credit certificate shall contain the taxpayer's  
3 9 name, address, and tax identification number, and any other  
3 10 information required by the office. The tax credit  
3 11 certificate shall only list one type of tax to which the tax  
3 12 credit may be applied. Once issued, the tax credit  
3 13 certificate shall not be terminated or rescinded. The tax  
3 14 credit may only be claimed against the type of tax reflected  
3 15 on the certificate.

3 16 b. Receipts or assay reports provided by the biofuel  
3 17 manufacturer attached to the taxpayer's tax return as required  
3 18 by the office.

3 19 5. A tax credit in excess of the taxpayer's liability for  
3 20 the tax year may be credited to the tax liability for the  
3 21 following five years or until depleted, whichever is earlier.  
3 22 A tax credit shall not be carried back to a tax year prior to  
3 23 the tax year in which the taxpayer redeems the tax credit. A  
3 24 tax credit shall not be transferable to any other person other  
3 25 than the taxpayer's estate or trust upon the taxpayer's death.  
3 26 6. This section is repealed December 31, 2015.

3 27 Sec. 6. EFFECTIVE AND APPLICABILITY DATE. This Act takes  
3 28 effect January 1, 2010, and applies to tax years beginning on  
3 29 or after that date.

#### 3 30 EXPLANATION

3 31 This bill provides a residual biomass tax credit allowed  
3 32 against income taxes for individuals under Code chapter 422,  
3 33 division II, and businesses under Code chapter 422, division  
3 34 III. The purpose of the tax credit is to stimulate the  
3 35 increased use of residual cellulosic biomass as a feedstock in  
4 1 the manufacture of a biofuel (a combustible liquid or gas  
4 2 derived from a biomass that alone or in combination with other  
4 3 compounds is capable of fueling an engine or the production of  
4 4 steam for industrial heating).

4 5 The amount of the tax credit is \$10 for each ton of  
4 6 residual cellulosic biomass containing less than 65 percent  
4 7 lignin, cellulose, or hemicellulose that is to be purchased by  
4 8 a biofuel manufacturer. The tax credit cannot exceed \$35,000  
4 9 per tax year.

4 10 The bill imposes certain conditions upon a taxpayer who  
4 11 must demonstrate that they are qualified to provide for the  
4 12 storage, processing, and delivery of residual cellulosic  
4 13 biomass to a biofuel manufacturer and upon a biofuel  
4 14 manufacturer who must be organized in this state and qualified  
4 15 to actively produce biofuel on a commercially viable scale.

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 also provides for the issuance of a tax credit certificate,  
4 23 and for tax credit to be carried forward.

4 24 This tax credit is eliminated on December 31, 2015.

4 25 The bill takes effect January 1, 2010, and applies to tax  
4 26 years beginning on or after that date.

4 27 LSB 5602HC 82

4 28 da/rj/5