

# RENEWABLE CHEMICAL PRODUCTION TAX CREDIT



Neighboring states are implementing a renewable chemical tax credit program to surpass Iowa's credit. In 2021 the Iowa legislature lowered the cap of many of the Iowa Economic Development Authority's (IEDA) tax credit programs, including the Renewable Chemical Production Tax Credit cap from \$10 million to \$5 million. Additionally, the program sunset generates uncertainty for businesses that intend to utilize credits following long-term investments. The time to develop the market has taken longer than anticipated when the program was created due to competitive economics, the global supply chain challenges, and cost of materials to build new factories. These factors have combined to delay the capital investments that would lead to increased renewable chemical production. Finally, serine, threonine, lysine, and nonfuel ethanol are already produced in large volumes in the state and do not need to be incented through this program.

## PROGRAM BACKGROUND

In 2016, Iowa introduced the **Renewable Chemical Production Tax Credit**. The program incentivizes the production of 30 high-value chemicals derived from biomass feedstocks. According to the U.S. Department of Agriculture, at that time, the credit represented the "strongest" incentive package for the bio-based chemical industry.

Iowa developed the program to capitalize on its resources and infrastructure and to foster the development of the renewable chemical manufacturing industry; it addresses the unique opportunity to advance Iowa's economy by focusing on the development of biomass as feedstocks for the production of renewable chemicals.

- Annual limits of \$1 million for startups and \$500,000 for established businesses
- Incentivizes production based on weight (\$0.05 per pound produced)



## RECOMMENDATION

The following recommendations are proposed to make Iowa's program more competitive with more competitive programs in neighboring states and more effectively utilize the recently reduced allocation.

- Eliminate the requirement that IEDA maintain a waitlist if demand for credits exceeds the annual allocation.
- Award credits via a competitive process. Prioritize new-to-Iowa companies, new-to-Iowa chemicals and/or more valuable chemicals, and higher volume projects.
- Amend the definition of "building block chemical" to exclude serine, threonine, lysine, and nonfuel ethanol (Code section 15.316).
- Eliminate the reduced maximum award amount (\$500,000) for businesses that have been in operation for more than five years. The maximum award amount proposed is \$1 million for all businesses.
- Allow the credit for renewable chemical production after the 2026 calendar year (indefinitely or at least until 2035 (in order to compete with MN)).

These recommended changes would also simplify administration of the program and prioritize incentives for the most impactful projects.

**SEE A BREAKDOWN COMPARISON OF IOWA, NEBRASKA AND MINNESOTA'S  
COMPETING PROGRAMS ON THE REVERSE SIDE**



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	IOWA	NEBRASKA	MINNESOTA
<b>Program legislation</b>	Passed in 2016	Passed in 2020 Applications accepted in 2022 Modeled after Iowa's program	Passed in 2015
<b>Available tax credits</b>	\$5 million (FY22 and FY23)	\$3 million (CY 2022, 2023) \$6 million (CY 2024 and beyond)	599,999,999 lbs of renewable chemical production (between \$18 million and \$36 million)
<b>Max award annually</b>	\$500,000 for a company in Iowa more than 5 years \$1 million for a company in Iowa less than 5 years	\$1.5 million per company	99,999,999 lbs per company (between \$3 million and \$6 million)
<b>Maximum award per pound</b>	5 cents	7.5 cents	3 cents for sugar derived renewable chemicals and cellulosic sugar, starch, oil or animal fat; 6 cents for cellulosic-derived renewable chemicals; 20% bonus for biomass from perennial crop or cover crop biomass
<b>Sunset date</b>	By end of FY27	Not codified	June 30, 2035
<b>Maximum lifetime awards per company</b>	Capped at five total awards per company	No cap	No cap
<b>Pre-eligibility production threshold</b>	Based on prior CY production	Company must produce 1 million lbs. of biochemicals per year in the state	Company must produce at least 250,000 lbs quarterly; must source at least 80% of biomass from Minnesota; if a facility is 50 miles or less from the state border, 80% of biomass must be source from within a 100-mile radius of the facility or from Minnesota; company must begin production on or before April 1, 2023
<b>Tax Credit Usage</b>	2 awards in 2022 totaling \$1,165,202	First awards to be made in 2023	69,424,666.67 lbs totaling \$4,165,480 claimed in FY21

*"Cargill supports Iowa's Renewable Chemical Tax Credit so it can continue to support and cultivate the important work Iowa companies are doing each day to improve the environmental footprint of countless industries, enabling new markets, and supporting the state's agricultural community by creating significant market access for farmers' crops across the state."*

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