
FISCAL TOPICS

Fiscal Services Division

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Tax Credit: Renewable Chemical Production Tax Credit

The Renewable Chemical Production Tax Credit is available to approved businesses that produce renewable chemicals from biomass feedstock in Iowa. The tax credit is equal to \$0.05 per pound of renewable chemicals produced. To qualify for the credit, a business must apply to and enter into an agreement with the Economic Development Authority (EDA) prior to the production of any pound of chemical that will earn the tax credit.

The tax credit is available for qualified renewable chemicals produced from January 1, 2017, through December 31, 2026. A business that is producing an eligible chemical prior to application to the EDA may only receive credits for an increase in production above the production level prior to the application. A renewable chemical that may qualify for the tax credit is defined as a chemical with a biobased content of at least 50.0%. A qualified chemical cannot be sold or used for the production of feed, food, or fuel.

An approved business that has been in operation in Iowa for five years or less may earn annual tax credits of up to \$1.0 million through the program. An approved business in operation for more than five years may earn annual credits of up to \$500,000 through the program. An approved business may earn tax credits for no more than five years. Taken together, the requirements mean that a qualified company may receive no more than \$2.5 million or \$5.0 million through the program, depending on the length of operation within Iowa prior to the initial application for the program tax credits.

The annual total for all eligible chemicals earning tax credits in a fiscal year is limited to no more than \$5.0 million.

The EDA Board, in cooperation with the Department of Revenue, is required to submit an annual report to the General Assembly and Governor describing the activities of the program. The annual report is due by January 31 and is to cover the tax credit program activities of the previous calendar year.

Tax Credit Background

- Enabling Legislation: 2016 Iowa Acts, chapter [1065](#) (High Quality Jobs Program and Renewable Chemical Production Credit Act)
- Iowa Code Citations:
 - [Sections 15.315 through 15.321](#) — Program Description
 - [Section 422.10B](#) — Individual Income Tax
 - [Section 422.33\(22\)](#) — Corporate Income Tax
- Administrative State Agencies: EDA and the Department of Revenue
- Sunset Date: Production eligibility ends December 31, 2026.
- Transferable: No
- Refundable: Yes
- Carryforward: Unused credits may be carried forward to the next tax year.
- Tax Review Committee Review Year: 2022

More Information

Department of Revenue Tax Credits Users' Manual:

tax.iowa.gov/sites/default/files/2021-11/TaxCreditsUsersManual2021.pdf

Renewable Chemical Production Tax Credit Program 2021 Annual Report:

www.legis.iowa.gov/docs/publications/DF/1287342.pdf

Legislative Services Agency Individual Income Tax Guide: www.legis.iowa.gov/docs/publications/LG/711304.pdf

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Legislative History

The Renewable Chemical Production Tax Credit was enacted in 2016 and became available January 1, 2017. As originally enacted, the aggregate amount of tax credits issued in a fiscal year was limited to \$10.0 million. The annual aggregate limit was reduced to \$5.0 million in 2021.

Tax Credit Review, Usage, and Future Liability

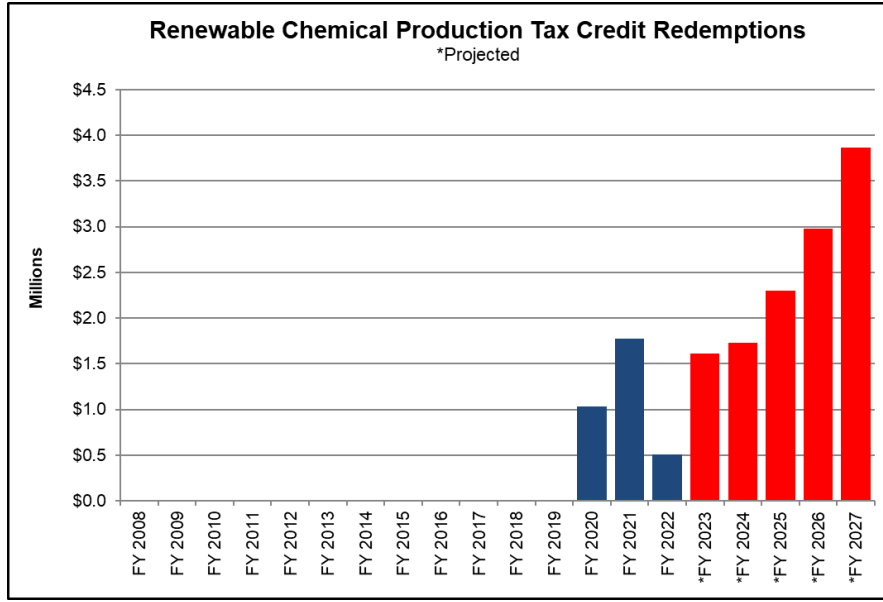
The annual report required under Iowa Code section [15.320](#) is to be delivered by the EDA to the General Assembly and Governor by January 31 following the end of a calendar year. The annual report requirements include the publication of aggregate employment, chemical production, and tax credit award information for businesses approved under this tax credit program.

- The first [report](#) was filed January 20, 2020, and indicates that \$1.5 million in tax credits were issued in 2019 to Glycerin Group, LLC, (doing business as KemX Global) for 2017 and 2018 chemical production.
- The second [report](#) was filed January 29, 2021, and indicates that SBK2, LLC, (\$500,000) and AgCertain Boone, LLC, (\$751,000) were awarded FY 2020 tax credits for chemicals produced in 2019.
- The third [report](#) was filed February 14, 2022, and indicates that AgCertain Boone, LLC, is eligible for a maximum tax credit of \$1.0 million.

AgCertain Boone, LLC, acquired KemX Global in 2019 and, according to the 2020 annual report, also assumed control of the production facility previously owned by SBK2, LLC, in 2019. Citing confidentiality requirements, the 2019 through 2021 reports state that the EDA cannot provide the other statistics required by Iowa Code section 15.320.

The Department of Revenue reports on the annual credit usage for the Renewable Chemical Production Tax Credit in its periodic [Contingent Liabilities Report](#). Based on Table 9 of the October 2022 report, the following table and graph provide credit redemption projections for the Renewable Chemical Production Tax Credit on a fiscal year basis. The blue bars on the graph indicate actual credit redemptions, while the red bars are Department of Revenue projections of future redemptions.

Renewable Chemical Production Tax Credit History			
*Projected			
<u>Fiscal Year</u>	<u>Tax Credit Redemptions</u>	<u>Fiscal Year</u>	<u>Tax Credit Redemptions</u>
FY 2008	\$ 0	FY 2018	\$ 0
FY 2009	0	FY 2019	865
FY 2010	0	FY 2020	1,028,076
FY 2011	0	FY 2021	1,775,704
FY 2012	0	FY 2022	503,749
FY 2013	0	*FY 2023	1,607,744
FY 2014	0	*FY 2024	1,733,104
FY 2015	0	*FY 2025	2,294,881
FY 2016	0	*FY 2026	2,979,447
FY 2017	0	*FY 2027	3,868,219



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