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## Biodiesel Related State Incentives

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*State Regulatory Manager - NBB*

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**BIO DIESEL**  
100% by the National Biodiesel Board

## Biodiesel Related State Incentives

Josh Zahn  
State Regulatory Manager - NBB



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## Overview

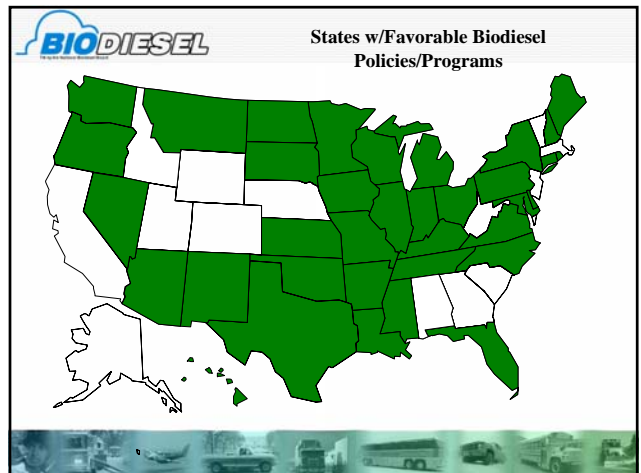


- ◆ National Perspective
- ◆ Discussion of Various Forms of Incentives
- ◆ Regional Incentives



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## State Policies—Nat'l. Perspective


- ◆ They remain critical to the industry.
- ◆ States are increasingly taking proactive steps to implement policies to enhance the use of biofuels.
  - 2004 130 biodiesel specific bills 27 passed (30% increase over 2003)
  - 2005 170 biodiesel specific bills 30 passed 36 states
  - 2006 263 biodiesel specific bills 51 passed 25 states



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## State Policy Concepts


- ◆ **Demand side policies:**
  - Requirements
    1. All diesel sold must contain biodiesel.
    2. State fleets & equipment must use biodiesel (Ex.Order & legislative).
  - Financial Incentives
    1. Reimbursements for schools to use biodiesel.
    2. Excise/Sales Tax exemptions or reductions.
  - Petroleum Reduction/Renewable Portfolio Standards/Renewable Fuel Standards



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## State Policy Concepts


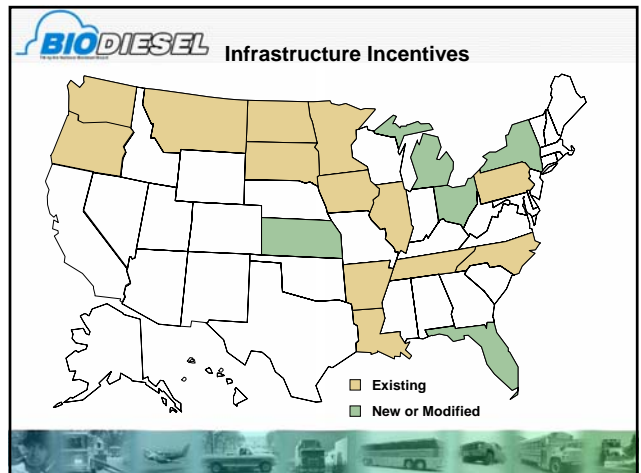
- ◆ **Supply side policies:**
  - Production Incentives
    - Tax credits for capital investments.
    - Producer Incentive Funds-per gallon grants/low-interest loan programs.
  - Blending, Distribution, Retailing Incentives
    - Tax credits for capital investments made in blending, storage, dispensing infrastructures.

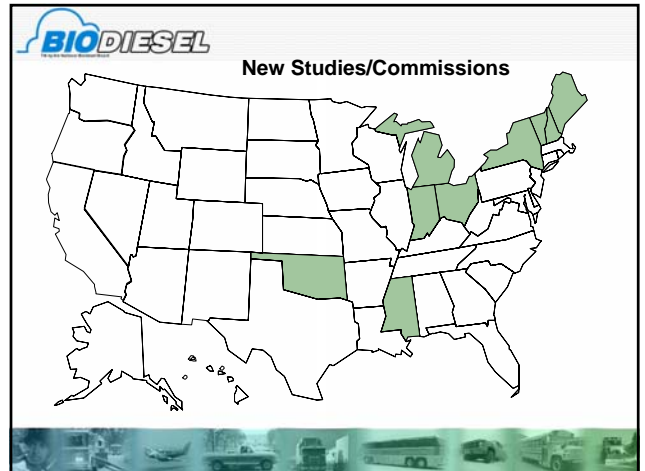
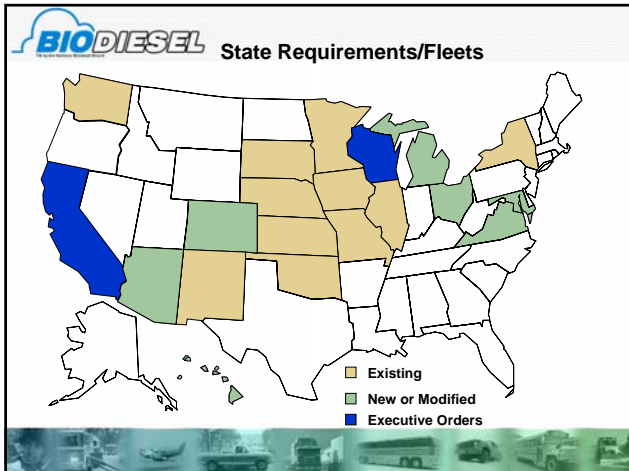
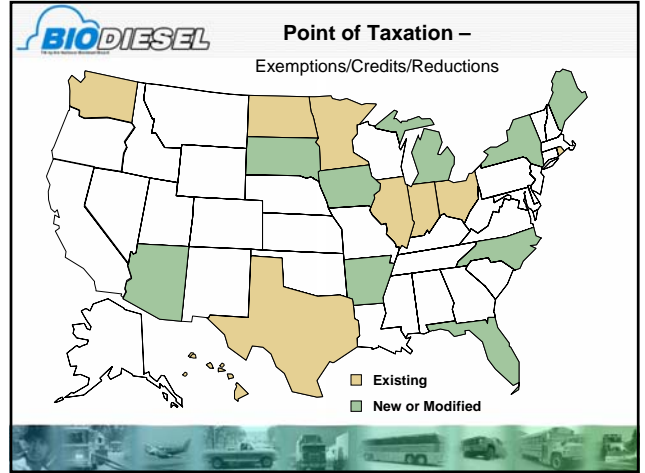
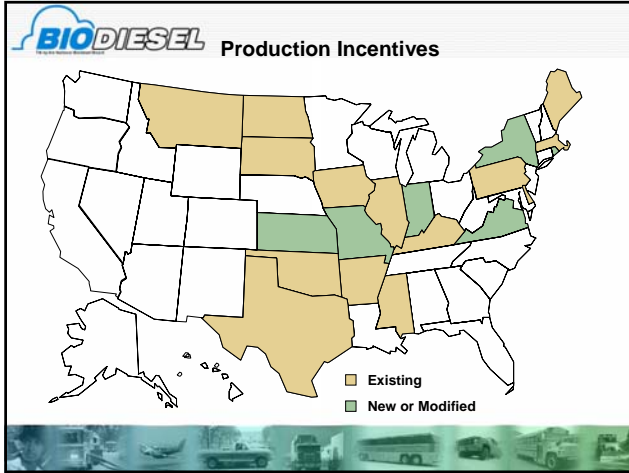



**BIO DIESEL**

## State Policy Concepts

- ◆ **General Initiatives**
  - Studies examining potential benefits associated with encouraging biodiesel production & use.
  - Point of taxation, harmonize with federal point of taxation.










## South Dakota


- ◆ Contractors' Excise Tax-Sales Tax refund/credit.
  - Provides for a refund/credit to be taken on taxes imposed or paid for "new ag processing facilities" and for sales & use taxes imposed/paid on purchases of equipment for new ag processing facilities.
  - 2006: Now includes expansion of existing facilities






## North Dakota


- ◆ Interest rate buydown program for biodiesel production facilities.
- ◆ Income tax credit for fuel suppliers who make biodiesel blends of B5 and higher.
  - The value of the credit is 5 cents per gallon.
  - The credit is not "refundable" and unused credits can be carried forward up to 5 years.
- ◆ Income tax credit for a fuel seller for costs incurred to modify or add infrastructure to sell biodiesel blends of at least B2.
  - The value of the credit is 10% per year for 5 years of the direct costs associated with modification or installation of infrastructure.
  - The credit is not "refundable" and may be carried forward 5 years.






## Minnesota


- ◆ B2 requirement: Effective 9/29/05.
- ◆ Sales Tax exemption for purchase of equipment used to blend biodiesel.
- ◆ Feasibility study examining biodiesel use as home/industrial heating fuel.






## Iowa


- ◆ Dept. of Econ. Dev. to provide an infrastructure cost-share incentive program for E85 and biodiesel.
- ◆ Governor's Ex. Order to increase state agency energy efficiency and use of renewables. Directs agencies to ensure all bulk diesel bought is at least B5 by 2007; B10 by 2008; B20 by 2010.
- ◆ Biodiesel Fuel Revolving Fund.
  - Money received from the sale of Energy Policy Act (EPAct) credits.
  - Administered by Iowa Department of Transportation (IDOT).
  - The fund shall be used by IDOT for the purchase of biodiesel fuel for use in IDOT vehicles. Vehicles using biodiesel will have an informational sticker so stating.






## Iowa (cont'd.)


- ◆ Tax credits for cooperative's producing "value-added agricultural products".
  - Credit may be claimed up to 10 percent of a new investment that involves the creation of new jobs.
  - May elect to receive a refund of all or a portion of the unused tax credit.
- ◆ Income tax credit for Point-of-sale retailers:
  - \$0.03 credit on each gallon of B2 or higher
  - To qualify: 50% of distributor or retailer's sales must be B2 or higher.
  - Small retailer exceptions.






## Missouri


- ◆ MO Qualified BD Producer Incentive Fund.
  - Administered by Dept. of Agriculture.
  - Qualified producers eligible to receive \$.30/gallon grant for the first 15 million gallons produced annually (up to 60 months).
  - Producers can receive \$.10/gallon grant up to 15 million gallons of biodiesel produced beyond their initial 15 million gallons produced in a fiscal year.
  - All feedstock must be US produced and 51% must come from MO.
  - 2006: 51% state resident producer-owned OR 80% MO-grown feedstock
- ◆ School district reimbursement for incremental cost of biodiesel (B20 or higher).
- ◆ Self-Sustaining Biodiesel Revolving Fund.
  - Administered by the Department of Natural Resources & is available to all state fleets.
  - The fund pays the incremental cost of biodiesel.






## Arkansas


- ◆ \$.10 cent/gallon grant to qualified biodiesel producers (located within Arkansas).
  - Limited to the first 5 million gallons of biodiesel produced annually, not to exceed 5 years.
- ◆ Income tax credit for "facilities and equipment" for biodiesel suppliers (wholesale or retailers that sell in bulk) of 5% of the cost of facilities and equipment. The credits may be carried forward 3 years.
- ◆ \$.50/gallon state fuels tax credit for biodiesel suppliers for each gallon blended into undyed diesel fuel to make up to a B2; and that is used in trade or business. Limited to 2% of total gallons of biodiesel mixture.






## Illinois


- ◆ Sales Tax Exemption.
  - Biodiesel blends between B1 and B10 are given a partial exemption of 20%. B100 and blends above B10 are totally exempt.
  - All exemptions on all fuels end December 31, 2013.
- ◆ Executive Order requires all diesel state vehicles to use biodiesel when practical. Directs Central Management Services to procure B2 for state fleets and to increase availability of B2 for flexible fuel fleet, including the establishment of state-operated B2 filling stations.
- ◆ Fuel Cost Differential Rebate. Owners of vehicles operating on a domestic renewable fuel are eligible to apply for a fuel cost differential rebate. Rebate program is applicable to fleets.






## Texas


- ◆ Production grant program. Producers pay a 3.2 cents per gallon tax into a fund. State matches by a multiplier of 5.25 cpg. The state issues grants of 20 cpg back to the plants. The net grant would equal 16.8 cpg. The producer is entitled to receive the 20 cents for 10 years after the beginning of production. Grants are limited to 18 million gallons per year per producer per registered plant (\$3.6m).
- ◆ The biodiesel portion of a blend is exempt from state excise tax provided the finished product is clearly identified as a blend.






## Oklahoma


- ◆ Income tax credit for biodiesel production facilities
  - \$.20/gallon.
  - Credits can be accrued for facilities wholly or partially on-line before 12/31/07.
  - Credits may be claimed for 60 months.
  - Beginning January 1, 2012, a biodiesel facility shall receive a \$ 0.075/gallon credit for new production for a period not to exceed 36 consecutive months.
- ◆ OK Biofuels Dev. Advisory Cmte.
  - Conduct systematic review of biodiesel & ethanol industry; feasibility of developing biodiesel industry in OK






## Kansas


- ◆ Requires all state agency fleets to purchase and use B2 where the price differential is less than ten cents per gallon.
- ◆ KS Qualified Biodiesel Producer Incentive Fund: \$.30/gallon for each gallon of biodiesel sold by producer; principal place of business and facility w/in state





## Michigan – "package"

- ◆ Add'l. Renaissance Zones
  - Ag. Processing Facilities & Renewable Energy Facilities
- ◆ Fuel tax reduction on B5 & higher
- ◆ Definitions & Standards
- ◆ Study Commission – promotion & state reg. review
- ◆ Infrastructure at state motor transport facilities
- ◆ Strategic Fund Act
  - Infrastructure Dev. Program – 50% matching grants to service stations for conversions
  - Bulk plant program – similar 50% matching grant program



Presented at Nebraska Biodiesel Industry Development Seminar,  
"Strategically Locating Soybean and Biodiesel Processing Facilities in Nebraska," in August 2006



**For more information, go to**  
[www.biodiesel.org](http://www.biodiesel.org)

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