



Iowa's Renewable Chemicals Production Tax Credit Program

Overview

The Renewable Chemicals Production Tax Credit Program is:

- A tax credit for production of renewable chemicals by eligible businesses at five cents per pound of renewable chemicals produced.
 - Maximum tax credit of \$500,000 for existing businesses and \$1,000,000 for new businesses
 - Total award cap of \$5 million per year

(Iowa Code sections 15.315 through 15.322)

Definitions

- Renewable chemical: Building block chemical with at least 50% biobased content percentage.
 - Does NOT include a chemical sold or used for food, feed or fuel
- Building block chemical: A **molecule** converted from biomass feedstock **that can be further refined** into a higher-value chemical, material or consumer product.

(See 261 IAC 81.2(15) for complete definitions)

Definitions - Eligible Chemicals

- “Building block chemical” includes but is not limited to high-purity glycerol, oleic acid, lauric acid, methanoic or formic acid, arabonic acid, erythronic acid, glyceric acid, glycolic acid, lactic acid, 3-hydroxypropionate, propionic acid, malonic acid, serine, succinic acid, fumaric acid, malic acid, aspartic acid, 3-hydroxybutyrolactone, acetoin, threonine, itaconic acid, furfural, levulinic acid, glutamic acid, xylonic acid, xylaric acid, xylitol, arabitol, citric acid, aconitic acid, 5-hydroxymethylfurfural, lysine, gluconic acid, glucaric acid, sorbitol, gallic acid, ferulic acid, nonfuel butanol, nonfuel ethanol, benzene, toluene, xylene, ethylbenzene, butanoic acid, hexanoic acid, octanoic acid, pentanoic acid, heptanoic acid, ethylene glycol, and 1,4 butanediol.

Additional chemicals may be added to the definition by rule

Rulemaking- Adding Chemicals

Iowa Code section 15.316

- IEDA may add additional molecules to the definition of “building block chemical” by rule
- Any individual or business may request to add an additional molecule by submitting a written request to IEDA
- At a minimum, IEDA shall accept requests between April 1 - May 1 and October 1 - November 1 each calendar year
- Prior to initiating a rule making, IEDA shall consult with experts from ISU, including but not limited to ISU - CBiRC
- ISU shall provide written recommendation to IEDA indicating which chemicals meet the definition of “building block chemical” consistent with this chapter
- Following this process, IEDA may initiate rule making proceedings

Definitions

- Pre-eligibility production threshold: Equals the number of pounds of renewable chemicals produced, if any, by an eligible business during the calendar year prior to the calendar year in which the business first qualified as an eligible business
 - Sets a baseline for determining tax credit calculation
- Production year: Any calendar year after the year in which the eligible business' pre-eligibility production threshold was established and in which the eligible business produces renewable chemicals

Business Eligibility

Eligibility requirements:

- Physically located in Iowa
- Operated for profit and under **single management**
- Not an entity providing professional services, health care services, or medical treatments or a retail operation
- Organized, expanded or located in Iowa on or after July 1, 2016
 - Includes a NEW business in Iowa and an EXISTING business that expanded production after July 1, 2016
- Will not be relocating or reducing operations in Iowa
- In compliance with all agreements entered into under this program or other programs administered by IEDA (if any)

Single Management

Rule 261—81.6(15)

- “Single Management”: if the same eligible business has an ownership or equity interest in multiple facilities at which renewable chemicals are produced, the facilities under common ownership will be considered a single eligible business for purposes of calculating the maximum tax credit amount
- Maximum tax credit calculation: only the pro rata share of each eligible business’ ownership in a facility will be attributed to that eligible business

Application Process

1. Produce chemical
2. Apply for credit during application window: February 15 - March 15
3. Application approved or denied by IEDA - additional information may be requested
4. Enter into agreement with IEDA for tax credit
5. Comply with all requirements of the agreement
6. IEDA issues tax credit
7. Business may claim tax credit

Application

- Made during the calendar year following the calendar year in which the renewable chemicals are produced.
 - Example: If renewable chemicals are produced in calendar year 2017, the earliest that a business may apply for the credit is January 2018
- Online through CACTAS system (no paper applications)
- Application window from February 15 - March 15

Application

- IEDA may request additional information to verify production claims
 - May include site visit or other methods of verification
- After review, IEDA will notify each applicant of application status (approved/denied) and the applicant's place in line (if on the waitlist)
- Compliance cost fees
 - One time fee of \$500, and
 - For each contract with an aggregate tax incentive value of \$100,000 or greater, the business shall remit a compliance cost fee equal to one-half of one percent of the value of the tax incentives claimed pursuant to the agreement

Application

- Information required to calculate tax credit:
 - Date business organized, expanded or located in Iowa
 - Date business first started operating in Iowa
 - City or county where the plant is located
 - Name of renewable chemical/building block chemical produced
 - Amount produced in PRE-PRODUCTION YEAR, measured in pounds (establishes baseline)
 - Amount produced in production year, measured in pounds
 - Type of biomass feedstock used
 - Amount of biomass feedstock during PRE-PRODUCTION YEAR, measured in pounds (establishes baseline)
 - Amount of biomass feedstock used in production year, measured in pounds
 - Bio-based content percentage of the chemical produced
- Information required for reporting to legislature:
 - Number of employees located in Iowa during the production year
 - Aggregate sales of renewable chemicals produced during the production year

Agreement

- Before IEDA may issue a tax credit, business must enter into an agreement with IEDA for successful completion of the program requirements
- Business must complete all requirements under the agreement before receiving a tax credit

Claiming the Tax Credit

- Tax credit issued by IEDA when agreement requirements have been met
- Business may claim a tax credit equal to five cents per pound of renewable chemicals produced in Iowa up to the maximum tax credit amount
- Tax credit shall be claimed for the tax year during which the tax credit was issued
- Any tax credit in excess of tax liability is refundable, or in lieu of claiming a refund, the excess tax credit may be credited against the tax liability for the following year

Maximum Tax Credit

- IEDA may award a total of \$5 million per fiscal year
- Maximum tax credit that may be issued in a calendar year shall not exceed:
 - \$1 million for businesses in operation in Iowa for five years or less at the time of application
 - \$500,000 for business in operation in Iowa for more than five years at the time of application
- Business may only receive:
 - A tax credit for renewable chemicals produced in a calendar year to the extent that such production exceeds the amount that the eligible business produced in the year PRIOR to becoming eligible for the renewable chemical production tax credit
 - Five tax credits under the program - each tax credit requires an application and agreement and is reviewed separately from prior awards

Waitlist

- Maximum amount of tax credits IEDA may issue in a given fiscal year is \$5 million
- Issued on a **first-come, first-served basis** until the maximum amount allocated under the program is reached
 - All applications will be time stamped in CACTAS
- A business that successfully applies for a tax credit, but for which a tax credit is not issued, will be placed on a waitlist and be given priority for receiving a tax credit in the following fiscal year

Confidentiality

- Iowa Code chapter 22: The identity of a tax credit recipient and the amount of the tax credit shall be considered public information
- Iowa Code chapter 550 (or common law): Any other information or record in the possession of IEDA with respect to the program shall be presumed to be a trade secret and shall be kept confidential unless otherwise ordered by a court

Compliance & Verification

- **Certifications**

- Biobased Content Percentage of Eligible Chemical
 - Must be above 50 percent as determined by ASTM standard D6866
- Eligible Chemical
- Documentation of Production

- **Verifications**

- Summary level information provided to IEDA at time of application
- Detailed information (random sampling) available upon request

Program Contact

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