

## **Summary of State Incentives for Biofuels (Fall 2006)**

In consultation with the National Conference of State Legislators (NCSL), ASERTTI has prepared a summary of State Incentives for Biofuel Production and Use. Many states have pending legislation and executive orders not included below. We greatly appreciate your comments and additions.

### **Arkansas**

AR S.B. 363 - Act No. 1287 - 2003

The Biodiesel Incentive Act

Created an income tax incentive for biodiesel suppliers and grants for biodiesel producers.

Full text of the act is available at:

<http://www.arkleg.state.ar.us/ftproot/acts/2003/public/act1287.pdf>.

### **Hawaii**

HI S.B. 2221 - Act No. 289 - 2000

Provides an investment credit for investment in a qualifying ethanol production facility.

HI S.B. 3207 - Act No. 140 - 2004

Changes the ethanol investment tax credit to the ethanol facility tax credit (EFTC). Bars other credits if EFTC is claimed and limits EFTC to investment amount. Allows EFTC only in years that the facility is operating at 75% of nameplate capacity or more and if production commences on or before 1/1/12. Effective 7/1/03 for tax years after 12/31/03.

Full text of the act is available at: [http://www.capitol.hawaii.gov/session2004/bills/sb3207 .htm](http://www.capitol.hawaii.gov/session2004/bills/sb3207.htm).

### **Illinois**

IL S.B. 2370 - Public Act No. 93-724 - 2004

Amends the Use Tax Act. Provides that "gasohol" means motor fuel that is a blend of denatured ethanol and gasoline that contains no more than 1.25% water by weight. Provides that the blend must contain 90% gasoline and 10% denatured alcohol. Allows a maximum of one percent error factor in the amount of denatured ethanol used in the blend to compensate for blending equipment variations. Provides that an violation is a business offense subject to a fine. Effective immediately.

IL H.B. 931 - Public Act No. 94-62 - 2005

Amends the Alternate Fuels Act. Provides that beginning July 1, 2005, owners of vehicles using domestic renewable fuel are eligible to apply for a fuel cost differential rebate. Provides that biodiesel blended fuel facilities may be included in the Alternate Fuel Infrastructure Program administered by the Department of Commerce and Economic Opportunity. Provides for three types of rebates.

Full text of the act is available at: <http://www.ilga.gov/legislation/publicacts/94/PDF/094-0062.pdf>.

IL H.B. 112 - Public Act No. 94-346 - 2005

Amends the Vehicle Code. Provides that, beginning July 1, 2006, all diesel powered vehicles owned or operated by the State, any county or unit of local government, any school board, state college, university or mass transit agency as well as all diesel powered Chicago Transit Authority vehicles

must use a blend containing at least 2% biodiesel fuel. Provides that the requirement does not apply to vehicles designed or retrofitted to operate on ultra low sulfur fuel.

Full text of the act is available at: <http://www.ilga.gov/legislation/publicacts/94/PDF/094-0346.pdf>.

## **Indiana**

IN H.B. 1032 - Public Law No. 6 - 2005

Requires the use of blended biodiesel fuel in state vehicles when feasible.

Full text of the act is available at: <http://www.in.gov/legislative/bills/2005/PDF/HE/HE1032.1.pdf>.

## **Minnesota**

MN S.B. 1495 - Chapter No. - 2002

Providing for a biodiesel fuel mandate. Requires all diesel fuel sold in the state for use in internal combustion engines to contain at least 2% biodiesel fuel oil by volume; exempts equipment at electric generation facilities, mining equipment and railroad locomotives; provides that distributors who made expenditures necessary to adapt equipment to blend biodiesel fuel may be eligible for reimbursement.

Full text of the bill is available at:

<http://www.revisor.leg.state.mn.us/bin/bldbill.php?bill=S1495.3&session=ls82>.

MN H.B. 2633 - Chapter No. 217 - 2004

Provides for exemptions from environmental review for certain ethanol plants.

Full text of the act is available at:

<http://www.revisor.leg.state.mn.us/bin/bldbill.php?bill=H2633.1&session=ls83>.

MN S.B. 4 - Chapter No. 52 - 2005

Increases the minimum ethanol content required for gasoline sold or offered for sale in the state; establishes a petroleum replacement goal; requires certain studies and reports.

Full text of the bill is available at:

<http://www.revisor.leg.state.mn.us/bin/bldbill.php?bill=S0004.3&session=ls84>.

## **Montana**

MT H.B. 362 - Chapter No. - 2001

Exempts from taxation all manufacturing machinery, fixtures, equipment, and tools used for the production of ethanol from grain during the course of the construction of an ethanol manufacturing facility and for 10 years after completion of construction of the manufacturing facility.

Full text of the bill is available at: <http://data.opi.state.mt.us/bills/2001/billhtml/HB0362.htm>.

MT H.B. 644 - Chapter No. - 2001

Encourages economic development by creating an energy market demand for agricultural based biofuels. Taxes gasohol and biodiesel at a percentage of the rate for gasoline of special fuels. Defines gasohol and biodiesel. Provides that biofuel pumps be labeled with a statement of the tax advantage of the fuel. Expands the uses of the research and commercialization expendable trust fund to foster market demand for value added products.

Full text of the bill is available at: <http://data.opi.state.mt.us/bills/2001/billhtml/HB0644.htm>.

## **Maine**

ME H.B. 1032 - Public Law No. 474 - 1999

Establishes the Agriculturally Derived Fuel Fund to promote the production and use of methanol and ethanol from agricultural biomass.

ME H.B. 1089 - Public Law No. 698 - 2003

Promotes production and use of fuels derived from agricultural and forest products. Provides that biofuels may include ethanol, methanol derived from biomass, pyrolysis oils from wood, hydrogen or methane from biomass or combinations of the above; provides a tax credit to a certificated producer. Requires a producer claiming a tax credit to provide information to the Commissioner of Environmental Protection regarding the nature and composition of the fuel.

Full text of the bill is available at:

[http://www.mainelegislature.org/legis/bills\\_121st/billdocs/LD149201.doc](http://www.mainelegislature.org/legis/bills_121st/billdocs/LD149201.doc).

ME S.B. 160 - Public Law No. 266 - 2003

Defines biodiesel fuel as renewable fuel composed of mono-alkyl esters of long chain fatty acids derived from vegetable oils or animal fats that is registered with the United States Environmental Protection Agency as a fuel and a fuel additive under the federal Clean Air Act and as otherwise specified in the American Society for Testing Materials Standard or its subsequent Standard Specification for Biodiesel Fuel Blend Stock.

Full text of the bill is available at:

[http://www.mainelegislature.org/legis/bills\\_121st/billdocs/LD044102.doc](http://www.mainelegislature.org/legis/bills_121st/billdocs/LD044102.doc).

## **Michigan**

MI H.B. 4010 - Public Act No. 5 - 2003

Provides tax abatements for plants that manufacture biodiesel fuel. Provides for the establishment of plant rehabilitation districts and industrial development districts and exemption from taxes.

Full text of the bill is available at: <http://www.legislature.mi.gov/documents/2003-2004/publicact/pdf/2003-PA-0005.pdf>.

## **Mississippi**

MS H.B. 928 - Chapter No. - 2003

Provides that the Commissioner of Agriculture may make cash payments to producers of ethanol, anhydrous alcohol, bio-diesel and wet alcohol that is produced in the State from non-State originated products if the State originated products are not available. Declares legislative intent that corn, biomass and resource commodities be furnished totally by State farmers insofar as the supply is available.

## **Nebraska**

NE L.B. 605 - Signed by Governor - 1999

Relates to the Ethanol Development Act. Changes and eliminates ethanol production credit provisions. Changes provisions relating to the Ethanol Production Incentive Cash Fund and an excise tax on corn and grain sorghum. Eliminates provisions relating to written agreements and powers and duties of the board and department and changes the motor vehicle fuel tax.

NE L.B. 479 - Signed by Governor - 2003

Amends provisions related to ethanol tax credits and funds used for such credits.

NE L.B. 983 - Signed by Governor - 2004

Changes provisions relating to motor fuel taxes and motor vehicle fuel taxes. Eliminates provisions relating to tax credit gasoline and the Diesel Fuel Tax Act; amends provisions regarding the International Fuel tax Agreement Act. Provides for ethanol or biodiesel facilities, agricultural ethyl alcohol, kerosene and aircraft fuel.

NE L.B. 1065 - Signed by Governor - 2004

Provides funding for ethanol production incentives. Changes tax credits, tax rates, and fee rates and distribution as prescribed; eliminates a fuel tax provision. Mends provisions regarding excise taxes on corn and grain sorghum and employment and investment incentives.

### **North Dakota**

ND H.B. 1390 - Signed by Governor - 2001

Relates to the biodiesel content of diesel fuel and its integration into the agricultural economy of this state.

ND S.B. 2019 - Signed by Governor - 2001

Provides an appropriation for defraying the expenses of the Department of Economic Development and Finance and to the Agricultural Products Utilization Commission for grants; provides for the transfer of funds. Relates to ethanol plant production incentives and tax refunds for fuel used for agricultural purposes.

ND S.B. 2454 - Signed by Governor - 2001

Relates to a special fuels tax reduction for sales of diesel fuel blended with biodiesel fuel.

ND H.B. 1309 - Filed with Secretary of State - 2003

Relates to a biodiesel fuel mandate and a corporate income tax credit for a portion of the cost of retrofitting a facility for producing or blending diesel fuel containing biodiesel fuel. Provides for a special fuels tax reduction for fuel containing biodiesel.

ND S.B. 2222 - Filed with Secretary of State - 2003

Relates to ethanol production subsidies. Relates to the distribution of motor vehicle registration fees and the taxation of motor vehicle fuel for agricultural purposes. Relates to the duration and limitation of ethanol plant production incentives.

### **New Jersey**

NJ S.B. 2313 - Chapter No. 56 - 2005

Appropriates Federal funds for the Garden State Ethanol Project for costs related to an ethanol plant to covert corn to ethanol, an additive that stretches gasoline supplies, and will be owned by a company established by area farmers who grow corn.

Full text of the bill is available at: [http://www.njleg.state.nj.us/2004/Bills/S2500/2313\\_I1.PDF](http://www.njleg.state.nj.us/2004/Bills/S2500/2313_I1.PDF).

## **Oklahoma**

OK S.B. 878 - Signed by Governor - 2002

Directs the Oklahoma Department of Agriculture to conduct certain feasibility study to attract ethanol processing plant to the State.

Full text of the bill is available at:

<http://www2.lsb.state.ok.us/2001%2D02bills/sb/sb878%5Fsflr.rtf>.

OK S.B. 429 - Chapter No. - 2003

Relates to revenue and taxation. Authorizes tax credits for certain ethanol facilities; defines terms; specifies amount of tax credits; provides procedures; sets certain limitations; provides for applications; specifies certain duties of Oklahoma Tax Commission; provides for codification; provides an effective date; declares an emergency.

Full text of the bill is available at:

<http://www2.lsb.state.ok.us/2003%2D04bills/sb/sb429%5Fsflr.rtf>.

OK H.B. 1398 - Signed by Governor - 2005

Relates to revenue and taxation. Authorizes tax credits for certain biodiesel facilities. Provides for transferability of credit and defines terms. Authorizes amount of tax credits against income tax for biodiesel credit; provides procedures; sets certain limitations; provides for applications; specifies certain duties of the Tax Commission; relates to definition of alternative biodiesel fuels; modifies definition of fill station; adds biodiesel to list of nonregulated fuels for sale in the state.

Full text of the bill is available at: <http://www2.lsb.state.ok.us/2005%2D06hb/hb1398%5Fenr.rtf>.

OK H.B. 1556 - Signed by Governor - 2005

Relates to revenue and taxation. Relates to tax credits for ethanol facilities and allows for transfer of credit. Requires the transfer agreement to be filed with the Tax Commission. Modifies maximum gallonage eligible for credits; authorizes a credit against a motor fuel tax levy; authorizes refund claims.

Full text of the bill is available at: <http://www2.lsb.state.ok.us/2005%2D06hb/hb1556%5Fenr.rtf>.

## **Rhode Island**

RI H.B. 8085 - Public Law No. 484 - 2004

Exempts organically produced biodiesel fuel from the motor fuel tax.

Full text of the bill is available at:

<http://www.rilin.state.ri.us/BillText/BillText04/HouseText04/H8085.pdf>.

## **South Dakota**

SD H.B. 1279 - Filed with Secretary of State - 2003

Defines biodiesel blend fuels.

Full text of the bill is available at: <http://legis.state.sd.us/sessions/2003/bills/HB1279enr.pdf>.

SD S.B. 162 - Filed with Secretary of State - 2003

Revises the definition of E85 ethanol blend fuel.

Full text of the bill is available at: <http://legis.state.sd.us/sessions/2003/bills/HB1279enr.pdf>.

SD S.B. 31 - Filed with Secretary of State - 2004

Clarifies certain provisions that levy the fuel excise tax on biodiesel, biodiesel blends and ethyl alcohol. Amends provisions regarding fuel imports and exports.

Full text of the bill is available at: <http://legis.state.sd.us/sessions/2004/bills/SB31enr.pdf>.

## **Tennessee**

TN H.B. 3067 - Chapter No. 89 - 2004

Provides for a review of alternative fuels such as biodiesel and gasohol as a means to enhance consumption of agricultural products; provides for recommendations and explanation of use of such fuels on contemporary motor vehicle engines.

Full text of the bill is available at:

[http://www.legislature.state.tn.us/info/Leg\\_Archives/103GA/Bills/BillText/HB3067.pdf](http://www.legislature.state.tn.us/info/Leg_Archives/103GA/Bills/BillText/HB3067.pdf).

TN H.B. 1740 - Chapter No. 370 - 2005

Authorizes the Department of Transportation to undertake public-private partnerships with transportation fuel providers, including but not limited to farmer co-ops, to install a network of refueling facilities, including storage tanks and fuel pumps, dedicated to dispensing biofuels, including but limited to ethanol (E85) and biodiesel (B20). Provides for the establishment of a grant program to render financial assistance to help pay the costs for such at private sector fuel stations.

Full text of the bill is available at:

<http://www.legislature.state.tn.us/bills/currentga/BILL/HB1740.pdf>.

## **Washington**

WA S.B. 6508 - Awaiting Governor's signature - 2005

Mandates fuel dealers to sell two percent biodiesel out of total diesel sales and two percent ethanol out of total gasoline sales. The two percent requirements for biodiesel and ethanol will act as a baseline—the law is designed to boost the use of biofuels as the state's capacity to grow and produce biofuels increases. The standards eventually increase to five percent for biodiesel and 10 percent for ethanol.

In addition to establishing market access for ethanol and biodiesel in the state, the bill includes a number of incentives for in-state fuel crops and production facilities.

Full text of the bill is available at: <http://www.leg.wa.gov/pub/billinfo/2005-06/Pdf/Bills/Senate%20Passed%20Legislature/6508-S.PL.pdf>.

WA H.B. 1240 - Chapter No. 261 - 2003

Provides tax incentives for biodiesel and alcohol fuel production.

Full text of the bill is available at: <http://www.leg.wa.gov/pub/billinfo/2003-04/Pdf/Bills/Session%20Law%202003/1240-S2.SL.pdf>.

WA H.B. 1241 - Chapter No. 63 - 2003

Provides tax incentives for the distribution and retail sale of biodiesel and alcohol fuels. Exempts certain equipment, machinery and vehicles used in the distribution of such fuels from the sales tax. Exempts the use of machinery, equipment and services related to the sale of such fuels from the use tax.

Full text of the bill is available at: <http://www.leg.wa.gov/pub/billinfo/2003-04/Pdf/Bills/Session%20Law%202003/1241-S2.SL.pdf>.

WA H.B. 1242 - Chapter No. 17 - 2003

Establishes requirements for the use of biodiesel by state agencies.

Full text of the bill is available at: <http://www.leg.wa.gov/pub/billinfo/2003-04/Pdf/Bills/Session%20Law%202003/1242-S.SL.pdf>.

WA H.B. 1243 - Chapter No. 64 - 2003

Establishes a biodiesel pilot project for school buses powered by ultra low sulfur diesel fuel. Provides for the selection of participating school districts.

Full text of the bill is available at: <http://www.leg.wa.gov/pub/billinfo/2003-04/Pdf/Bills/Session%20Law%202003/1243-S.SL.pdf>.

## **Wisconsin**

WI S.B. 378 - Signed by Governor - 2000

Relates to payments to ethanol producers; grants rule-making authority; makes appropriation.

WI S.B. 39 - Act No. 43 - 2005

Relates to school transportation bio-diesel fuel cost assistance; makes appropriations. Proves state aid for pupil bus transportation. Provides that for state aid payments for school districts not participating in the program shall be prorated as though the minimum amount had not been made.

Full text of the bill is available at: <http://www.legis.state.wi.us/2005/data/acts/05Act43.pdf>.

WI S.B. 41 - Act No. 83 - 2005

Relates to the definition of biodiesel fuel and the labeling, advertising, and promoting of biodiesel fuel and biodiesel fuel blends for sale. Requires such biodiesel blends to be correctly identified as to name when sold at retail.

Full text of the bill is available at: <http://www.legis.state.wi.us/2005/data/acts/05Act83.pdf>.

## **Wyoming**

WY H.B. 5 - Chapter No. - 2003

Removes limitations on the ethanol tax credit. Modifies the requirements necessary to qualify for

the tax credit.