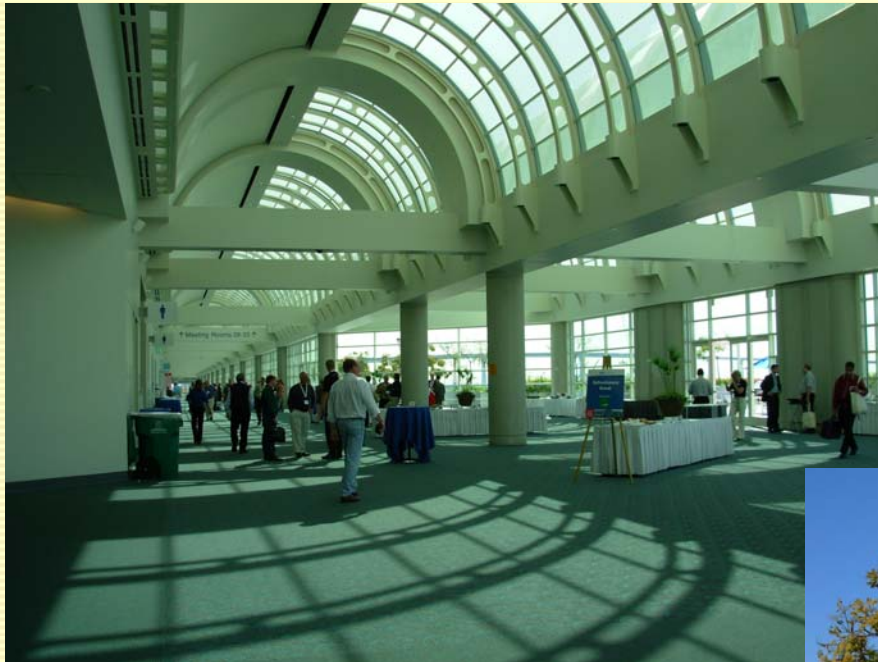




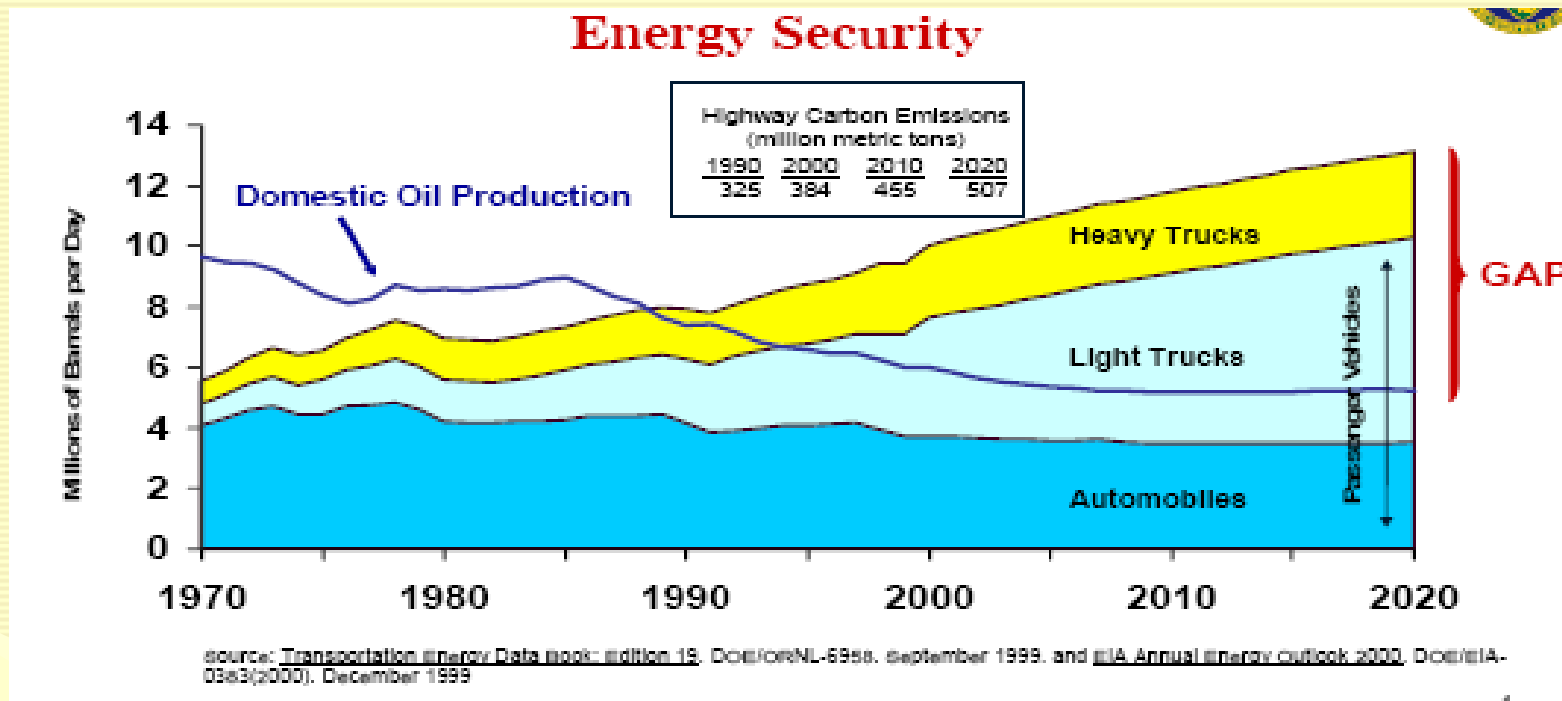
Biodiesel Tax Credits and Incentives

Bob Saunders, Unit Supervisor
Planning Unit, Air Quality Program
Department of Ecology

NBB Conference



The main driver for tax incentives



Overview

Federal:

- CCC Bioenergy Program
- Energy Policy Act of 2005, August 8, 2005

State:

- Washington legislation
- Other State legislation

Local:

- Have been important purchasers

Federal: CCC Bioenergy Program

- Biodiesel Producer Credits
 - 2002 Farm Bill,
 - Authorized \$150 million through FY06;
- Being Phased out:
 - FY05 --\$100 million
 - FY06 --\$60 million
 - FY07 --\$0

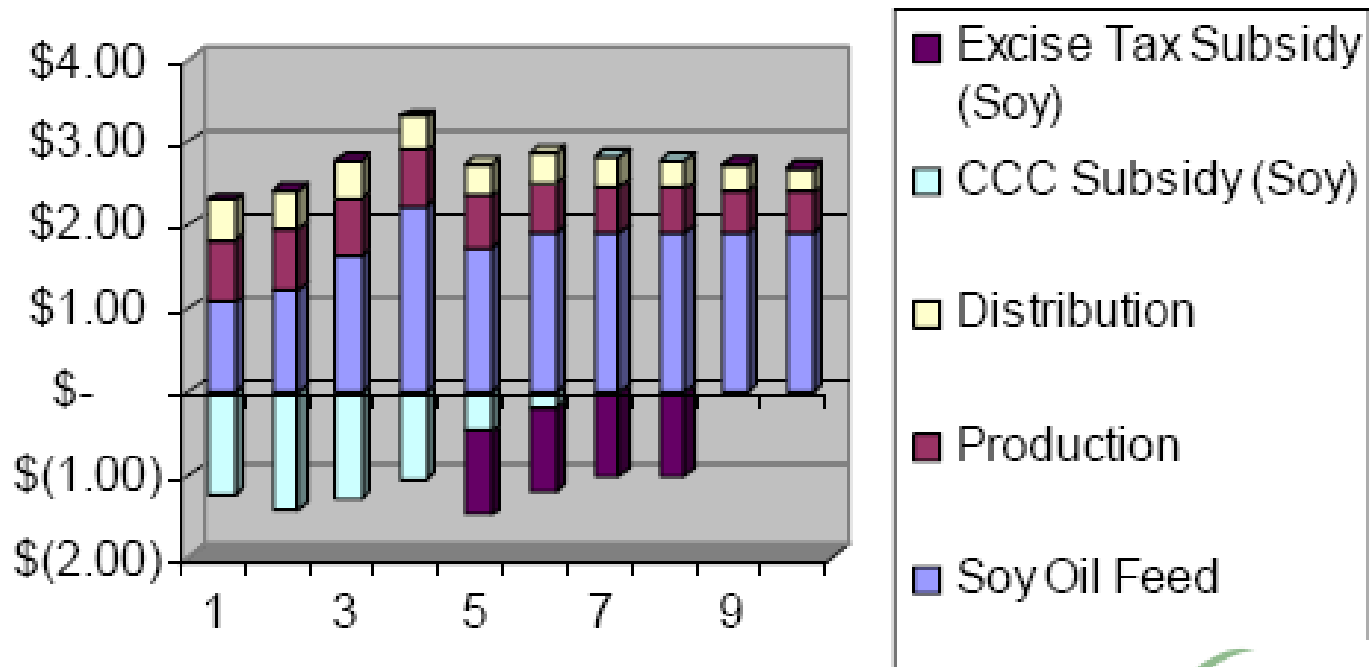
Federal: 2005 Energy Policy Act

\$1.00/gal Excise Tax Credit

- Goes to blenders/distributors
 - \$.244/gal tax excise tax on diesel fuel
 - \$1.00/gal B100 credit offsets this liability
 - If not enough credit on excise tax, can deduct against federal income tax
 - Blender must have certificate from producer
 - B100 must be certified to ASTM 6751
 - In effect until 12/31/2008

Federal Biodiesel Tax Credits

Component Economics 2001 -2010



Federal: 2005 Energy Policy Act

Renewable Fuel Standard

RFS schedule for Ethanol

2006	4.0 bill gals
2007	4.7
2008	5.4
2009.....	6.1
2010.....	6.8
2011.....	7.4
2012.....	7.5

Biodiesel gallons count, but is small

2004 biodiesel = 25 million gallons

2005 biodiesel = 75 million gallons

2006 biodiesel projected to be 150 million gallons

Federal: 2005 Energy Policy Act

Other Elements

- Small Agri-biodiesel Producer Credit
 - establishes a \$.10/gallon tax credit
 - applicable up to 15 million gallons of biodiesel produced
 - limited to producers under 60 mill gal annual production.
- Alternative Fuels Refueling
 - 30% tax credits on first \$30,000 investment
 - B20 or greater pumps
- Biodiesel Engine Testing Program
 - \$5 mill/year authorized for 2006-2010
 - testing biodiesel in advanced diesel engine and fuel system technologies.

Federal: Farm Bill Programs

1st to have an energy title

Administration's Proposed FY07 Budget

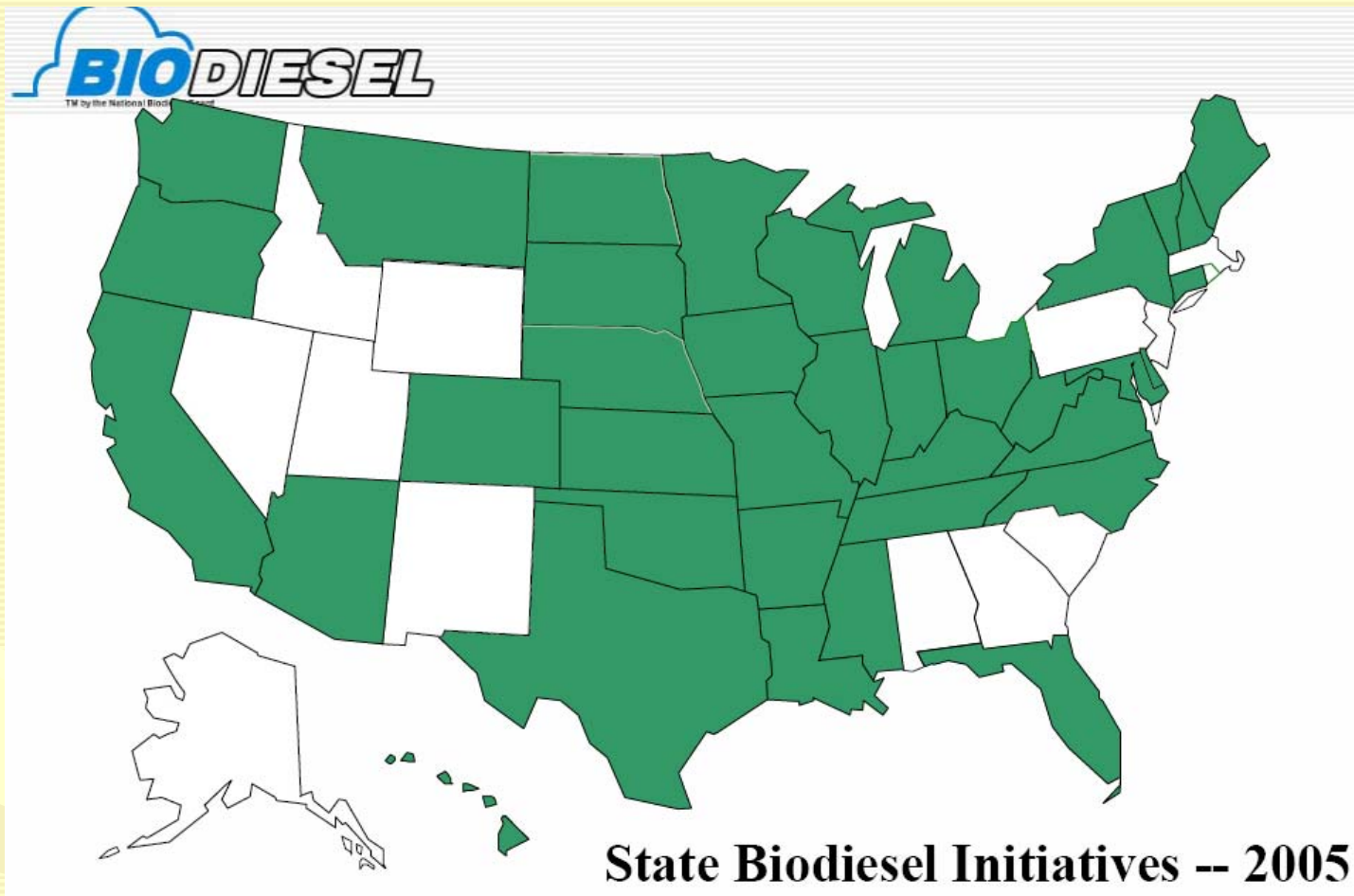
USDA Programs	FY06 Enacted	Admin. FY07
Federal Procurement of Biobased Products (Sec. 9002)	\$1	\$1
Biodiesel Education Program (Sec. 9004)	\$1	\$1
Renewable Energy and Energy Efficiency Improvements (Sec. 9006)	\$23	\$10.2
Biomass R&D Act of 2000 (Sec. 9008)	\$12	\$12
Bioenergy Program (Sec. 9010)	\$60	\$0
Value-Add Producer Grants (Sec. 6401)	\$20.5	\$20.3
Total	\$117.5	\$42.3

Dollars represented in millions

Federal: Farm Bill Programs

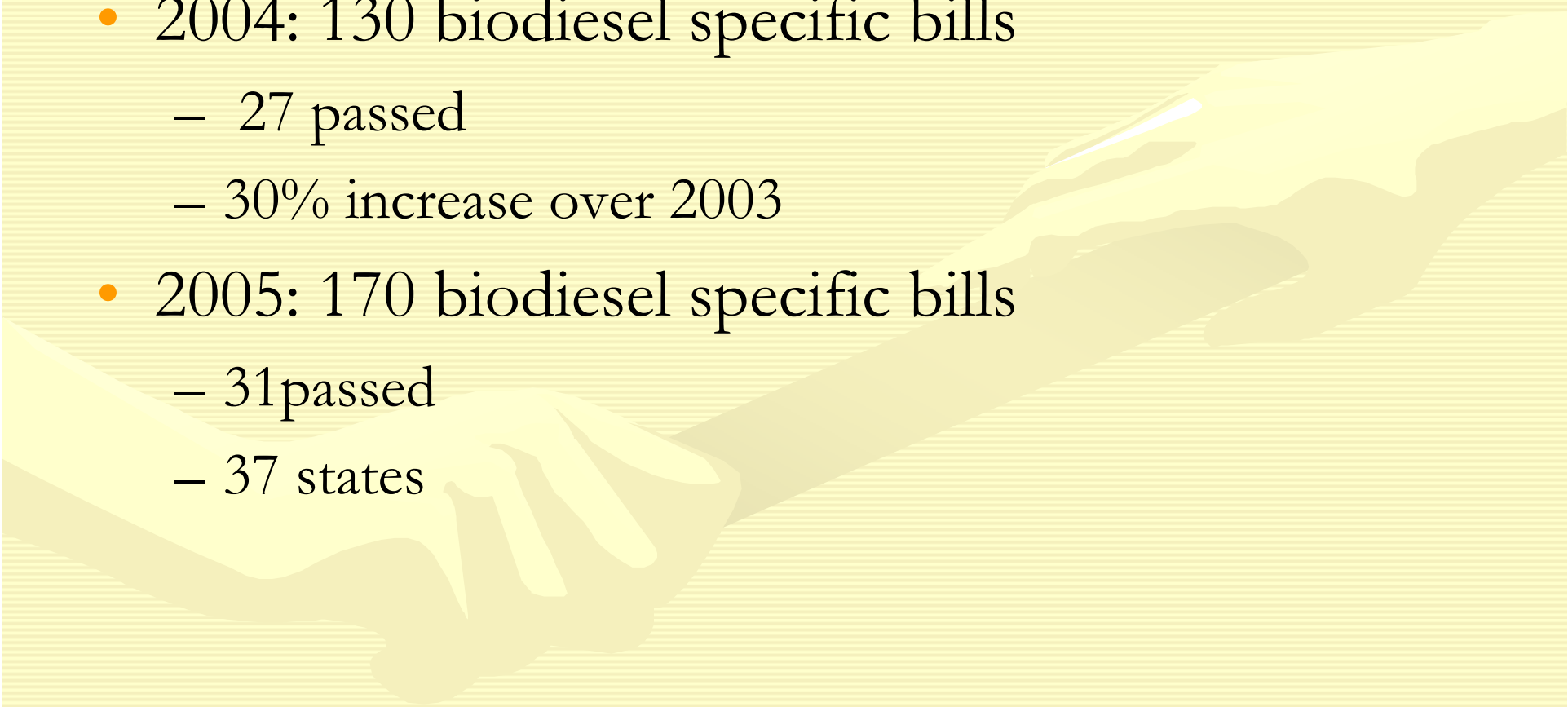
- **Sec. 9006:** Renewable and Energy Efficiency Improvements Program
 - Authorized at \$23 million
 - 2007 request: \$2 million loans and \$8 million grants
 - **In 2005 biomass projects got about 10% of 21 mill**
 - Wind, solar, anaerobic digesters, energy efficiency all qualify
- **Sec. 6401:** Value Added Producer Grants, \$20 million
 - Similar to 9006, wide range of renewable projects qualify

State Incentives Programs



States: Strong Momentum

- Lots of support for biofuels
- 2004: 130 biodiesel specific bills
 - 27 passed
 - 30% increase over 2003
- 2005: 170 biodiesel specific bills
 - 31 passed
 - 37 states



States: Types of Incentives

- **Emphasis on renewable fuels for energy security**
- **Tax exemptions/reductions:**
 - AZ, MD, NJ, NY, SC, WA
- **Govt. & school district use:**
 - CO, GA, HI, IA, MD, MS, SD, VA, VT, WA, WV
- **Required Use:**
 - HI, KS, MO, MS, NM, WA
- **Production/Blender/Retailer Incentives:**
 - IA, IL, KS, MO, NE, NY, SC, SD, VA, WA
- **Consumer oriented incentive:**
 - IL, NH

States: Incentive Examples

Tax exemptions/reductions:

- Arkansas: \$.50 credit on fuel tax
- Illinois: exempts biodiesel from state fuel tax

• **Government Use**

- Iowa, Missouri: Can sell EPACT credits

• **Required Use:**

- Minnesota and Washington

• **Production/Blender/Retailer Incentives:**

- Indiana: \$1.00/gal, \$3 mill cap
- Missouri: \$.20/gal, for 10 years

• **Consumer oriented incentive:**

- N. Carolina: 10% credit for consumers

Washington State Incentives

- **HB 1240 – Biodiesel and Ethanol Production**
 - Machinery, equipment, labor and services qualify for “Distressed Area Sales and Use Tax Deferral Program
 - Property tax exemption for buildings, machinery, equipment used to produce biodiesel
 - Reduced B&O tax rate (.138 percent) for biodiesel production.
- **House Bill 1241 – Biodiesel and Ethanol Distribution and Retail Sales**
 - Sales tax exemption for machinery, equipment, labor and services to establish distribution and retail sales outlets
 - Allows a B&O tax deduction on receipts from B20

Washington State Incentives

- **HB 1242 (2003) & SB 6508 (2006)**
 - All agencies encouraged to use B20
 - June 1, 2006 agencies must procure ULSD with biodiesel as lubricant
 - June 1, 2009 required that 20% of agency diesel be biodiesel
- **House Bill 1243 – Biodiesel Pilot Project for School Districts**

Acknowledgements

- **National Biodiesel Board:**
 - Gene Gebolys, regulatory committee chair
 - Scott Hughes, regulatory affairs staff
 - www.biodiesel.org
- **Environmental and Energy Study Institute**
 - www.eesi.org
- **Spokane County Conservation District**
 - <http://sccd.org/>