

Legislative Analysis



BIODIESEL TAX CREDITS

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House Bill 4847 as introduced
Sponsor: Rep. John Fitzgerald
Committee: Tax Policy
Complete to 5-14-24

Analysis available at
<http://www.legislature.mi.gov>

SUMMARY:

House Bill 4847 would amend the Income Tax Act to create refundable individual income tax and corporate income tax credits for the production and sale of certain alternative fuels. The bill would establish identical guidelines for both the individual and corporate income tax credits.

Retail Dealer Credits

The bill would allow taxpayers that are retailer dealers to claim an individual tax credit for the 2024 through 2029 tax years equal to the sum of the following:

- \$0.02 per gallon of **B5+ fuel** sold by the dealer through metered pumps at their motor fuel site during the tax year.
- \$0.05 per gallon of **B11+ fuel** sold by the dealer through metered pumps at their motor fuel site during the tax year.

B5+ fuel would mean a **biodiesel blend** containing at least 5%, but not more than 10%, biodiesel that meets the American Section of the International Association for Testing Materials (ASTM) international standard D975 or D7467, whichever is applicable.

B11+ fuel would mean a biodiesel blend containing more than 10% biodiesel that meets the ASTM international standard D7467.

Biodiesel blend would mean a blended motor fuel composed of a blend of **biodiesel** fuel with petroleum-based diesel fuel, suitable for use as a fuel in a compression-ignition internal combustion diesel engine.

Biodiesel would mean a diesel fuel substitute consisting of methyl or ethyl esters produced from the transesterification of animal or vegetable fats with methanol or ethanol, that meets the ASTM international standard D6751.

The total amount of credits available for both the individual and corporate income tax credits could not exceed \$16.0 million per tax year. If credits exceeding this amount were claimed, they would be adjusted for each taxpayer on a prorated basis.

Biodiesel Producer Credits

In addition, for the same tax years, taxpayers that are biodiesel producers would be able to claim a credit equal to \$0.02 per gallon of biodiesel produced in Michigan during the tax year.

The total amount of credits available for both the individual and corporate income tax credits could not exceed \$2.0 million per tax year. If credits exceeding this amount were claimed, they would be adjusted for each taxpayer on a prorated basis.

Proposed MCL 206.277a and 206.677a

FISCAL IMPACT:

Based on current estimates of production capacity in the state, the producer credit would reduce general fund revenues by approximately \$300,000 to \$400,000. As capacity grew, this impact would grow proportionately until it reached the statutory cap of \$2.0 million annually. The retailer credit currently would reduce general fund revenues by approximately \$1.0 to \$2.0 million based on current estimates of gallons used. Like the producer credit, this impact would grow as the market for biodiesel grows, but the impact could not exceed the statutory cap of \$16.0 million.

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