

**LEGISLATIVE SERVICES AGENCY  
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

200 W. Washington St., Suite 301  
Indianapolis, IN 46204  
(317) 233-0696  
iga.in.gov

**FISCAL IMPACT STATEMENT**

**LS 6331**

**BILL NUMBER:** HB 1080

**NOTE PREPARED:** Dec 6, 2022

**BILL AMENDED:**

**SUBJECT:** Biofuel Tax Credits.

**FIRST AUTHOR:** Rep. Heine

**FIRST SPONSOR:**

**BILL STATUS:** As Introduced

**FUNDS AFFECTED:** X **GENERAL**  
**DEDICATED**  
**FEDERAL**

**IMPACT:** State

**Summary of Legislation:** The bill provides tax credits for: (1) the sale of higher ethanol blend; and (2) the: (A) sale of blended biodiesel; and (B) blending of biodiesel.

*Higher Ethanol Blend Tax Credit:* This bill provides that the amount of the higher ethanol blend tax credit is \$0.05 per gallon of higher ethanol blend sold at the taxpayer's fueling station. It provides that the total amount of higher ethanol blend tax credits that may be awarded for a state fiscal year may not exceed \$10,000,000.

*Biodiesel Tax Credit:* The bill provides that the amount of the biodiesel tax credit is computed as follows:

- (1) \$0.05 per gallon of blended biodiesel of at least 5% but not more than 10%:
  - (A) sold at the taxpayer's fueling station; or
  - (B) sold by a distributor directly to the final user.
- (2) \$0.10 per gallon of blended biodiesel that is more than 10% but not more than 20%:
  - (A) sold at the taxpayer's fueling station; or
  - (B) sold by a distributor directly to the final user.
- (3) \$0.18 per gallon of blended biodiesel that is more than 20%:
  - (A) sold at the taxpayer's fueling station; or
  - (B) sold by a distributor directly to the final user.
- (4) For a person who blends biodiesel, the product of:
  - (A) \$0.035; multiplied by
  - (B) the number of gallons of blended biodiesel that are produced by blending biodiesel at a terminal located in Indiana.

The bill provides that the biodiesel tax credit is refundable. It provides that the total amount of biodiesel tax credits that may be awarded for a state fiscal year may not exceed \$5,000,000.

**Effective Date:** July 1, 2023.

**Explanation of State Expenditures:** *Department of State Revenue (DOR):* The DOR will incur additional expenses to revise forms, update instructions, and modify the existing tax processing system to implement this bill. The DOR's current level of funding and resources should be sufficient to administer this tax credit.

**Explanation of State Revenues:** *Higher Ethanol Blend Tax Credit:* The bill establishes an Adjusted Gross Income (AGI) Tax credit for taxpayers that own fueling stations that sell higher ethanol blend for motor vehicles. The credit is effective beginning tax year 2024, and the amount of the credit is equal to five cents per gallon of higher ethanol blend sold by the taxpayer. The General Fund revenue loss associated with the credit is indeterminable. However, the credit has a cap of up to \$10 M per fiscal year. The revenue impact would begin in FY 2025. The tax credit is nonrefundable, and unused credit may be carried forward for no more than three years. The credit expires January 1, 2030.

*Biodiesel Tax Credit:* The bill establishes a refundable Adjusted Gross Income (AGI) Tax credit for biodiesel retail dealers, distributors, and blenders in Indiana. The Biodiesel Tax Credit would result in an estimated revenue loss of \$1.8 to \$5 M depending on the amount of biodiesel sold and blended in the state as well as the percent of the biodiesel blend. The credit is effective beginning tax year 2024, and the revenue impact would begin in FY 2025. The credit expires January 1, 2030.

*Additional Information* - In 2020, U.S. biodiesel consumption totaled 1,864 million gallons. If 2% of that consumption was eligible for the biodiesel tax credit; retail dealers, distributors, and blenders could claim tax credits on 37 million gallons of biodiesel. The biodiesel credit amount per gallon varies depending on the percent of the biodiesel blend sold or blended. Data on total sales of higher ethanol blends (E85) in the state is not available; however, according to the U.S. Department of Energy, there are 235 public fueling stations in Indiana that offer higher ethanol blend and eight offering biodiesel of B20 and above.

**Explanation of Local Expenditures:**

**Explanation of Local Revenues:**

**State Agencies Affected:** Department of State Revenue.

**Local Agencies Affected:**

**Information Sources:** U.S. Department of Energy. Alternative Fuels Data Center. Alternative Fueling Station Counts by State. <https://afdc.energy.gov/stations/states>

U.S. Department of Energy. Alternative Fuels Data Center. U.S. Biodiesel Production, Exports, and Consumption (Million Gallons). <https://afdc.energy.gov/data/10325>

**Fiscal Analyst:** Camille Tesch, 317-232-5293.