

April 6, 2017

Iowa General Assembly
1007 E Grand Ave.
Des Moines, IA 50319

Iowa Legislators,

On behalf of Iowa's biofuels industry, farmers, and the petroleum industry, we write regarding your ongoing efforts to review Iowa's tax system and tax credits while addressing Iowa's difficult budget situation. We applaud your diligence in safeguarding Iowa's resources by ensuring that long-standing tax provisions continue to make sense in today's economy.

To that end, we feel strongly that Iowa's biofuels tax provisions can be excluded from that review and any legislation this year – not because of any claim for special treatment, but because by contrast, Iowa's biofuels tax provisions have never been permanent and have been frequently reviewed.

Just last year, these provisions were thoroughly vetted by multiple committees in both the House and the Senate before being extended for seven years by overwhelming bipartisan votes, and signed into law by Governor Branstad at a public ceremony. These biofuels tax provisions include:

- E-15 Promotion Tax Credit (section 422.11Y),
- E-85 Promotion Tax Credit (section 422.11O),
- Biodiesel Promotion Tax Credit (section (422.11P), and
- Biodiesel Production Credit (section 423.4).

Based largely upon the Legislature's action and the certainty provided by the seven-year extension of the tax credits, Iowa biofuels plants are making significant investments to increase production capacity:

- Biodiesel production capacity is on the rise by nearly 20 percent, from 334 million gallons a year (mgy) to 400 mgy.
- Ethanol production capacity is significantly expanding for the first time in almost a decade, with over 300 mgy being added around the state.

Retailers across the state have also made substantial investments to enable them to offer and promote the sale of biofuels. For example, a comparison of Iowa retailer data from 2010 to 2016 shows the following:

- The number of retailers offering biodiesel jumped from 239 to 514
- The total biodiesel (B100) gallons sold increased six-fold from 7.4 mg to 44.8 mg
- 92 E85 stations were added, leading to an over 30 percent increase in E85 sales

Improvements to the biodiesel retailer credit are expected to more than double the amount of biodiesel blended into a gallon of diesel sold in the state, and Iowa now boasts over 100 E15 stations with dozens more on the way.

These impactful credits will be automatically reviewed in the future, given their expiration clauses, at which time the Legislature may choose to extend, modify or eliminate them. However, any significant

changes to the biofuel tax credits this year would make biofuels less competitive in the marketplace, pulling the rug out from under the aforementioned private investments that were built on the certainty of the seven-year extension.

When the latest Revenue Estimating Conference (REC) projections were recently released, legislative leaders noted that one of the major factors in the continuing sluggishness of state revenue is the agricultural economy and the impact of lower commodity prices. Despite these challenges, the biofuels tax provisions are doing their job to help turn Iowa's rural economy around. Farmers, biofuel producers, retailers, and Iowa consumers directly benefit from Iowa's biofuel tax credits. Without these tax credits, less biofuel will be produced and sold in the state. This will negatively impact the economy overall, as well as commodity, feed and fuel prices.

In 2016, Iowa's 43 ethanol plants produced a record 4.1 billion gallons, while Iowa's 12 operating biodiesel plants produced a record 305 million gallons—strengthening Iowa's position as the top biofuels-producing state. An ABF Economics study shows the increase in economic activity generated by ethanol and biodiesel in 2016 supported:

- Approximately 42,400 full-time equivalent jobs
- Over \$4.7 billion of Iowa's GDP
- More than \$2.3 billion of household income in Iowa

There is continued instability at the federal level with the Renewable Fuel Standard, which affects the future of both ethanol and biodiesel. The federal tax incentives for biodiesel and cellulosic ethanol have also lapsed, while imports of biodiesel from Argentina and Indonesia continue to undermine U.S. production. Iowa's biofuel producers need state tax credits now more than ever to stay competitive.

The states with the most proactive, comprehensive policies will be the areas that reap the greatest economic benefits of biodiesel and ethanol.

Sincerely,



Where & means more:

