



April 6, 2026

Internal Revenue Service
CC:PA:01:PR (REG-121244-23)
Room 5503, P.O. Box 7604
Ben Franklin Station
Washington, DC 20044

Docket No. IRS-2026-0133-0001

Re: Comments on the Section 45Z Clean Fuel Production Credit Proposed Rulemaking¹

Chief Executive Officer Bisignano,

Thank you for the opportunity to provide comments on the 45Z Clean Fuel Production Credit Proposed Rulemaking.

Introduction

The Iowa Biodiesel Board is a biodiesel producer-led association that represents the entire biodiesel chain in Iowa, including fuel manufacturers, distributors and farmers who produce the natural feedstocks used in biodiesel production. Founded by the Iowa Soybean Association in 2007, IBB operates an independent organization and board. The IBB works to promote the commercial and economic success of biodiesel in Iowa. Iowa is home to 8 operating biodiesel plants, producing an estimated 266 million gallons of biodiesel in 2025. Although this represents a significant decrease from our 2024 production levels, Iowa remains the top biodiesel-producing state. Iowa is also a leader on state biodiesel policies, offering comprehensive incentives for production, distribution and use.

The economic significance of this industry extends well beyond the pump. According to Decision Innovation Solutions, after accounting for indirect and induced effects, Iowa biodiesel production contributed a total of 1,198 jobs, \$92.0 million in labor income, \$67.2 million in value added and nearly \$1.5 billion in output to the Iowa economy in 2025. These figures underscore that Iowa biodiesel is not simply an energy solution — it is an economic engine for rural communities across the state.

¹ Internal Revenue Service, Department of the Treasury. Notice of proposed rulemaking Section 45Z Clean Fuel Production Credit. REG-121244-23, 91 FR 5160 (February 4, 2026). Available at <https://www.federalregister.gov/d/2026-02246>

Through advocacy and outreach, IBB works to advance the goals of American energy and economic resilience laid out and enabled through federal policy. Renewable fuels benefit every American through leveraging the power of American agriculture to produce cleaner-burning fuels while advancing American energy independence. We advocate the continued growth of renewable fuels including biodiesel as an integral part of American energy production.

We welcome Treasury’s Proposed Rule for the 45Z Clean Fuel Production Credit (Proposed Rule). While the credit has technically been available since January 2025, producers and farmers have struggled to capitalize on it with only minimal guidance.

While the proposed rule thoughtfully responds to prior taxpayer comments and provides much-needed market certainty for the biodiesel industry, the Iowa Biodiesel Board respectfully requests additional clarity in several areas as outlined below. Our primary priorities are: (1) strengthening certainty within the safe harbor provision by minimizing compliance risk and providing reasonable grace for minor mistakes or good-faith misinterpretations; (2) ensuring the greenhouse gas model reflects updated, accurate emissions data; (3) providing greater clarity and workability around prevailing wage requirements; and (4) building in meaningful flexibility to allow producers to adapt to evolving operational and regulatory conditions. We address each of these priorities in turn below.

Comments:

Production

We appreciate the clarification that eligibility for the 45Z credit is reserved for genuine domestic fuel producers who are converting raw feedstock into finished fuel. The definition of "production" appropriately makes clear that operations involving only minimal processing would not rise to the level of production for purposes of the section 45Z credit.

Qualified Sale “sold for use in a trade or business”

We request that the final rule adopt the clarification that the term “sold for use in a trade or business” includes the sale of fuel to an unrelated person that subsequently resells the fuel in its trade or business.

Prevailing Wage Requirements Recommended Clarifications

The Iowa Biodiesel Board urges Treasury to establish clearer, more workable prevailing wage standards under the 45Z tax credit. Compliance with the current framework is neither straightforward nor inexpensive — IBB members have engaged outside advisory firms at

costs exceeding their annual financial audit and tax return preparation combined. The program's complexity is compounded by its subjectivity: prevailing wage determinations go well beyond comparing an hourly rate to a published threshold. Contractors may satisfy the requirement through fringe benefits often funded by a union rather than the contractor itself, making verification difficult. Contractors with accredited apprenticeship programs may pay reduced rates, but only if four distinct criteria are simultaneously met — a bar many contractors struggle to clear. Most critically, when a contractor fails to comply, the \$5,000-per-employee, per-infraction penalty falls on the producer, not the contractor — creating significant financial exposure for facilities that acted in good faith.

Any dollar threshold triggering prevailing wage compliance should be based on labor costs alone, excluding materials. A facility spending \$1,500 in labor to install a \$26,000 pump should be subject to the requirement, while a job involving \$20,000 in labor and \$3,000 in materials on a \$23,000 total project should not — the labor value is the meaningful measure of workforce impact. Alternatively, rather than a dollar threshold, compliance should hinge on whether work constitutes a true alteration to plant design and operations, not routine maintenance or like-kind replacement. Work such as installing pumps that materially change flow rates or redesigning piping should qualify, while replacing pumps or motors in kind, rebuilding equipment, swapping seals, fittings, heat exchangers, augers, or steam traps should be explicitly excluded.

Furthermore, the compliance true-up window must be extended beyond 30 days — contractors frequently miss that deadline, and in specialized fields such as methanol and sodium methylate process safety, contractors may be few and slow to respond, leaving producers exposed through no fault of their own.

Finally, we recommend a local/specialized vendor exemption: when a facility must rely on contractors with unique certifications or specialized equipment who serve a defined regional area, requiring compliance with prevailing wage rates from distant metropolitan markets is neither practical nor equitable. A documented exemption process for such vendors would reduce administrative burden without undermining the intent of the prevailing wage requirement.

45ZCF-GREET Model and USDA Feedstock Carbon Intensity Calculator

We urge Treasury to promptly update and publish the 45ZCF-GREET model, incorporating changes from the One Big Beautiful Bill Act and integrating USDA's Feedstock Carbon Intensity Calculator (FD-CIC) upon its finalization. We appreciate Treasury's commitment to allowing the FD-CIC to apply retroactively to fuel produced and sold in 2025, and encourage its swift incorporation into the broader GREET modeling framework.

Farmers are the backbone of the biodiesel supply chain, and their ability to adopt beneficial practices directly shapes the carbon intensity of the fuels we produce. The final

rule should afford farmers maximum flexibility to implement the range of practices that work best for their individual operations — recognizing that no two farms are alike. Equally important, the final rule and accompanying IRS guidance must not erect unnecessary barriers to farmer participation. Overly prescriptive requirements and administrative red tape risk shutting out the very producers whose land stewardship and agricultural innovation make low-carbon biodiesel possible in the first place.

We support fully eliminating the highly subjective Indirect Land Use Change penalties from emissions calculations.

Transportation Fuel

We support the proposed definition of "suitable for use as a fuel in a highway vehicle or aircraft," including the clarification that actual use is not required. We ask that Treasury confirm that 45Z credit eligibility is determined at the time of production based on suitability alone, regardless of end use — an important protection for producers selling to industrial customers.

We also urge Treasury to maintain the statutory requirement that transportation fuel not be derived from coprocessing an applicable material with a non-biomass feedstock.

Facility Ownership Not Required (Tolling)

We support the clarification that a taxpayer is not required to own the qualified facility at which it produces transportation fuel. We ask that Treasury specify that parties can determine through their tolling contract or other legal arrangement how to allocate the credit for tax reporting purposes to allow for greater taxpayer flexibility.

Emissions Rate

We support exclusion of emissions attributed to indirect land use changes for transportation fuel produced after December 31, 2025.

Emissions Rate Table

The referenced emissions rate table only lists tallow under Fats, Oils, and Greases.² Please either define tallow to be inclusive of animal fats or individually list tallow, choice white grease, and mixed animal fats. Additionally, in the forthcoming emissions rate table, please clarify that all feedstocks currently listed may be sourced from all United States-Mexico-Canada Agreement (USMCA) countries.

² Internal Revenue Service, Notice 2025-11, 2025-6 I.R.B. 704 (Jan. 10, 2025)

Energy Attribute Certificates (EACs)

We ask that Treasury allow for the continued use of Energy Attribute Certificates (EACs) as part of the carbon intensity score calculation for biodiesel, renewable diesel, and sustainable aviation fuel.

Pro Rata Allocation

The Proposed Rule provides that taxpayers selling transportation fuel that is held in common storage with other fuels that have different emissions rates are treated as selling a pro rata portion of each fuel produced after December 31, 2024, and held in such common storage. We ask that the 45Z tax credit be available in full, based on the amount of qualified fuel that was actually produced rather than being dependent on other fuel with which it is stored.

Qualified Facility

The Proposed Rule would define a “qualified facility” to mean a single production line that produces a transportation fuel. Please clarify this to mean all steps in the production process of the transportation fuel only and not the production of the feedstock.

In the case of biodiesel, the single production line would begin with the transesterification process, and any processing or purification of soybeans or soybean oil prior to the transesterification process should be treated as the production or purification of the feedstock – i.e., U.S. soybean oil.

Specific Recordkeeping and Substantiation Requirements

It is unclear how taxpayers can demonstrate that they made qualified sales prior to the Proposed Rule. The final rule should include a safe harbor provision that is retroactive and specifies that qualified sales, including both fuel sold and sales agreements entered, prior to the publication of the Proposed Rule, may use the same qualified sale model certificate as outlined in the Proposed Rule. Further, we suggest that Treasury use a once-a-year certification, covering a calendar year, regardless of when the certificate was executed to avoid inadvertent gaps.

Proposed Applicability Dates and Reliance

We ask that Treasury provide more specificity on the look back provisions to allow those who produced fuel in 2025 to claim credit for their qualified sales.

Domestic Feedstock

We support the changes to limit the credit to North American Feedstocks.

Conclusion

The Iowa Biodiesel Board appreciates the opportunity to comment on the Section 45Z Clean Fuel Production Credit Proposed Rulemaking and commends Treasury for taking meaningful steps toward market certainty for domestic biodiesel producers. Iowa's biodiesel industry — from the farmers who grow the feedstocks to the producers who refine them into clean-burning fuel — stands ready to deliver on the promise of American energy independence and agricultural strength that this credit is designed to support.

To fully realize that promise, we urge Treasury to finalize the rule with the clarifications outlined above: a workable and labor-focused prevailing wage framework with meaningful grace provisions, a promptly updated 45ZCF-GREET model that incorporates the FD-CIC and reflects the latest emissions science, clear eligibility rules that protect producers regardless of end use, and flexibility in recordkeeping and safe harbor provisions that accounts for the practical realities of fuel production. These are requests to make it work as intended, for the producers and farmers who depend on it most. We look forward to continued engagement with Treasury and IRS as this rulemaking is finalized and stand ready to provide additional information as needed.