

Federal tax incentives for alcohol fuels were first established in 1978 for 10% blended gasoline (gasohol) creating an effective Federal subsidy for ethanol of \$0.40/gallon. Various subsequent acts have raised or lowered, modified, and extended the subsidy. Tax incentives for biodiesel were first initiated in 2004 with the American Jobs Creation Act. In addition to the tax subsidies, there is the Renewable Fuels Standard for biofuels and several other types of incentives provided in the Energy Policy Act of 2005.

For more background information on tax credits and other types of incentives for biofuels, see:

http://www1.eere.gov/biomass/federal_biomass.html

Table 2.1
Major Federal Biofuel Tax Incentives

Title	Code or Law ^a	Fuel Type	Incentive	Qualifying Period	Limits ^c
Volumetric Ethanol Excise Tax Credit (VEETC)	Public Law 108-357 ^b	ethanol of 190 proof or greater from biomass (e.g. corn grain, cellulose)	\$0.51 per pure gal of ethanol used or blended.	January 2005 – December 2010	Available to blenders/retailers
Volumetric Excise Tax Credit for Biodiesel	EPACT 2005 ^c §1344, Title XIII, Subtitle D	Agri-biodiesel (e.g. from soybeans or other oil seeds)	\$1.00 per pure gal of agri-biodiesel used or blended	Expires December 31, 2008	Available to blenders/retailers
Volumetric Excise Tax Credit for Biodiesel	EPACT 2005 §1344, Title XIII, Subtitle D	Waste-grease biodiesel	\$0.50 per pure gal of waste-grease biodiesel used or blended	Expires December 31, 2008	Available to blenders/retailers
Volumetric Excise Tax Credit for Biodiesel	EPACT 2005 §1344, Title XIII, Subtitle D	Renewable diesel – made from biomass by thermal depolymerization	\$1.00 per gal of diesel fuel used or blended	Expires December 31, 2008	Available to blenders/retailers
Small Ethanol Producer Credit	EPACT 2005 §1347, Title XIII, Subtitle D	Ethanol from biomass (e.g. corn grain, cellulose)	\$0.10 per gallon ethanol or biodiesel produced up to 30 million gallons	Expires December 31, 2008	< 60 million gallon production capacity Cap at \$1.5 million per yr per producer Can offset the alternative minimum tax
Small Biodiesel Producer Credit	EPACT 2005 §1345, Title XIII, Subtitle D	Agri-biodiesel	\$0.10 per gallon ethanol or biodiesel produced up to 15 million gallons	Expires December 31, 2008	Same as above
Income Tax Credit for E85 and B20 Infrastructure	EPACT 2005 §1342, Title XIII, Subtitle D	Ethanol or biodiesel	Permits taxpayers to claim a 30% credit for cost of installing clean-fuel vehicle refueling property at business or residence	January 2006 – December 2007	\$30,000 limit on tax credit

Source:

Renewable Fuels Association,
<http://www.ethanolrfa.org/policy/regulations/federal/standard/>

^a Most recent Internal Revenue Service code or public law affecting the status of the incentive. In several cases, the most recent action is a modification of prior actions.

^b Public Law 108-357 was the American Jobs Creation Act of 2004.

^c EPACT 2005 is the Energy Policy Act of 2005. See brief summary of all biofuel related provisions in the final version of the Energy Policy Act at:

<http://www.ethanolrfa.org/policy/regulations/federal/standard/>

The complete EPACT 2005 can be found at: <http://thomas.loc.gov/home/c109query.html>.

Search bill text for the 109th Congress; browse by bill number 0-100. Select H.R.6 ENR. The items in this table will be found under title XII - Energy Policy Tax Incentives and Subtitle D - Alternative Motor vehicle and Fuels Incentives.