Reinstate Innovative Tax Credits

RENEWABLE FUELS ASSOCIATION

RFA supports reinstating immediate expensing for RD/RE expenses, as included in the 2017 Tax Cuts & Jobs Act, as well as the 2nd Generation Biofuels Producer Tax Credit. These tax measures would spur technological advancements in the US Ethanol industry if reinstated.

The Facts

- The Tax Cuts & Jobs Act of 2017, and specifically the allowance of immediate expensing of Research & Development (RD)/Research & Experimental (RE) expenses in same the year that they occurred (Code Section 174), was a highly beneficial tax provision to the ethanol industry and spurred technological advancements in advanced ethanol production.
- When in effect, the 2nd Generation Biofuel Producer Tax Credit provided a tax credit of up to $1.01 per gallon of qualifying biofuels, such as cellulosic ethanol made from corn kernel fiber. This tax credit ensured continued investment in innovative fuel production technologies and incented important advancements in the renewable fuel industry.

The Issue

- Unfortunately, immediate expensing of RD/RE expenses under Code Sec. 174 expired in 2022, leaving companies only able to amortize RD/RE expenses over five years or more, stifling new investment in technology development, research and experimentation.
- The 2nd Generation Biofuel Producer Tax Credit expired on December 31, 2024, leaving biofuel producers without a crucial tax incentive that supported innovative renewable fuel production.

The Solution

- The RFA supports reinstating the RD/RE immediate expensing provision found in Code Section 174 as part of the Tax Cuts & Jobs Act extensions now being considered as part of the FY 2025 budget reconciliation process.
- With the delay in the implementation of the 45Z Tax Credit, RFA advocates for a two-year extension of the 2nd Generation Biofuel Producer Tax Credit that will provide a bridge to 45Z while ensuring continued investment in advanced biofuel production methods.