

HB 2449A –A13

The Biomass Tax Credit

Background of the Biomass Tax Credit:

- The biomass tax credit began in 2007, providing a tax credit for production, collection, and transportation of biomass materials used to produce energy.
- Applicants must be agricultural producers or biomass collectors, the biomass materials must come from within the state of Oregon, and the materials must be used as biofuel or to produce biofuel in Oregon.
- The most common types of biomass are woody biomass and manure. Other types include grease, agricultural residues, and animal bi-products.
- Under the current tax credit rates, woody biomass materials receive \$10 per bone dry ton and manure digesters receive \$5.00 per wet ton.
- The current tax credit is set to sunset on January 1, 2018.

HB 2449A and -A13 Amendment:

- Primary purpose: Creates a pilot program administered by ODOE to begin the transition of the biomass tax credit from incentives for biomass feedstock to **incentives for energy production**.
 - The total amount certified for the pilot program would be capped at \$3.5M for the 2015 biennium, \$12M for any biennium beginning between July 1, 2017 and July 1, 2023, and \$3M between July 1, 2023 and December 31, 2023.
 - Tax Credits cannot be claimed by the same person for both the pilot program and existing program.
- Allows ODOE to adjust the credit rate for food residue, food waste, and rendering offal or tallow on an annual basis. These adjustments may not exceed 25% of the existing rate.
- Extends the sunset on the biomass tax credit from 2018 to 2024.
 - Extending the sunset of the credit to 2024 allows ODOE to have sufficient time for the rulemaking process, as well as 6 years to run the pilot program.
- Raises the rate in January 2018 for woody biomass collectors from \$10 per bone dry ton to \$20 per bone dry ton if the material comes from forest health improvement projects. The cost of delivery to the energy producer must exceed an amount to be established in rule by the Oregon Department of Energy (ODOE).
- Lowers the rate for animal manure biomass from \$5 per wet ton to \$3.50 per wet ton beginning in January 2019.

Program Accountability:

- Brings the Biomass Tax Credit up for review by LRO in 2019 and requires ODOE to report to the Legislature on the tax credit and pilot program every biennium.
- As noted above, ODOE will have the ability to annually review and adjust tax credit rates on: food residue, food waste, and rendering offal or tallow.