



To: Senate Environment and Natural Resources Committee

From: Michael Kaplan, Director
Oregon Department of Energy

Date: February 9, 2017

Subject: SB 168 – Biomass Tax Credit Program

SB 168 extends the biomass producer or collector tax credit program until the end of the tax year 2023. The program is authorized in ORS 315.141, 315.144, and 469B.403. The biomass tax credit program sunsets at the end of tax year 2017 for all eligible feedstocks, except animal manure and rendering offal that sunset at the end of tax year 2021.

The Department of Energy opposes SB 168. The Governor and ODOE are recommending that the biomass tax credit (except for manure and rendering offal) be allowed to sunset at the end of tax year 2017.

INTRODUCTION

The Biomass Producer or Collector (BPC) tax credit, created in 2007, offers a tax credit for biomass that is produced or collected in Oregon and used as biofuel or to produce biofuel in Oregon. Since 2010, ODOE has administered a certification process for BPC tax credits. To be eligible for the tax credit, the applicant must be a biomass collector or an agricultural producer. The specific types of eligible biomass and applicable credit rates are in statute.

Bioenergy in Oregon is comprised of a variety of types of biomass feedstocks, technologies and energy. Biomass is used to create electricity, transportation fuels, and heat for building and industrial uses. Bioenergy systems are used in industries such as forest products manufacturing, food processing, dairy and agriculture, and water treatment.

BACKGROUND

The BPC tax credit program was established in 2007 as part of HB 2210 (2007). The original BPC program was administered by the Department of Revenue. In 2009, HB 2078 transferred the administrative responsibility for BPC tax credit from the Department of Revenue to ODOE and established a certification program. ODOE began administering the program in 2010.

In 2011, HB 3672 extended the BPC tax credit program until the end of tax year 2017, changed the basis for the tax credit rate for woody biomass effectively reducing it by 50 percent, and eliminated yard debris and municipally generated food waste. In 2012, HB 4079 codified in



statute that only one tax credit could be provided for each unit of biomass material. In 2013, HB 3367 eliminated canola collected or produced in the Willamette Valley.

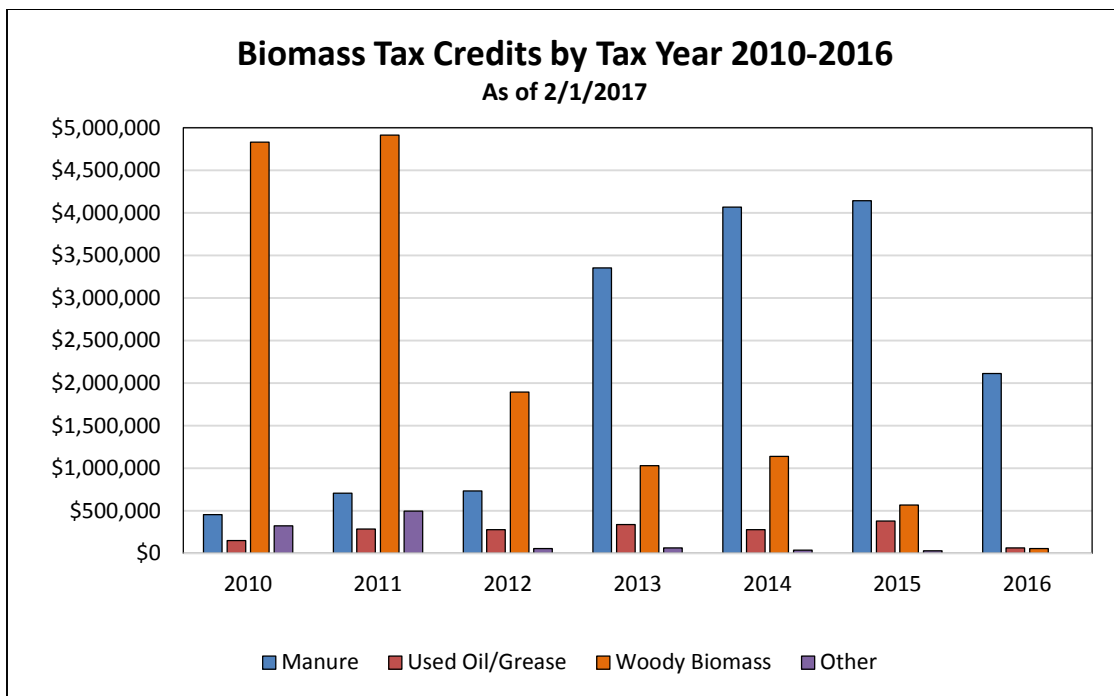
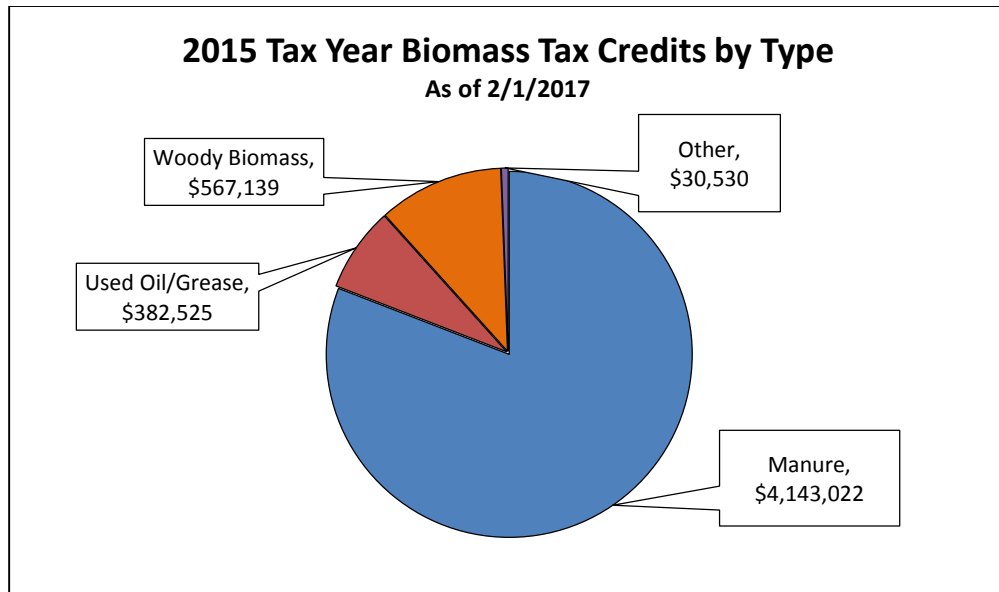
In 2016, SB 1507 extended the tax credit sunset for animal manure and rendering offal through the end of tax year 2021; and, it reduced the tax credit rate for animal manure and rendering offal from \$5.00 to \$3.50 per wet ton beginning January 1, 2016. The bill added revocation authority for the BPC tax credit program, back to January 1 2007.

PROGRAM FUNCTION

Biomass collectors or agricultural producers may receive a tax credit for collecting or producing certain types of biomass material in Oregon that is delivered for use as feedstock for bioenergy or biofuel production in Oregon. Applications are submitted to ODOE after the material has been delivered. ODOE reviews applications for compliance with program requirements and issues a tax credit certification per unit of eligible biomass material provided in the application. Only entities with tax liability are eligible to apply for the BPC tax credit.

Applicants may use the tax credit themselves or transfer the tax credit. Statute directs ODOE to set a minimum discount value at which the tax credit may be transferred, which is currently 90 percent. The transfer process is administered by the Department of Revenue; ODOE has no role in the transfer of the tax credit.

ODOE has issued more than \$30 million in tax credits for the production, collection, and use of biomass materials under this program. The tax credits have been provided for over 1.4 million tons of woody biomass; over 2.7 million tons of animal manure; over 17.5 million gallons of used cooking oil/waste grease; and over 56,000 tons of vegetative biomass. These totals do not include tax credits issued by the Department of Revenue prior to ODOE administering the program in 2010.



SUMMARY

The biomass tax credit program sunsets at the end of tax year 2017 for all eligible feedstocks, except for animal manure and rendering offal feedstocks which will sunset at the end of tax year 2021. The Department of Energy opposes SB 168 and encourages the Senate Environment and Natural Resource Committee to recommend the sunset of this tax credit program at the end of the 2017 tax year.