CORPORATE FRANCHISE TAX
INDIVIDUAL INCOME TAX
Sustainable Aviation Fuel Credit

February 26, 2025

	Yes	No
DOR Administrative Costs/Savings		X

Department of Revenue
Analysis of S.F. 1312 (Rest) As Proposed to be Amended (SCS1312A-2)

	Fund Impact			
	F.Y. 2026	**F.Y. 2027**	**F.Y. 2028**	**F.Y. 2029**
	(000's)			
General Fund	$0	($10,600)	($2,100)	($2,100)

Effective retroactively beginning with tax year 2024 for sustainable aviation fuel sold after June 30, 2024 and July 1, 2035.

EXPLANATION OF THE BILL

Current Law: A refundable tax credit is allowed of $1.50 for each gallon of sustainable aviation fuel (SAF) that is produced or blended in Minnesota and sold to a purchaser who certifies it will be used in an aircraft departing from an airport in Minnesota. The credit may be claimed against the individual income tax or corporate franchise tax. A qualifying taxpayer may claim a credit for blending or producing SAF, but not both. If SAF is blended with aviation gasoline or jet fuel, the credit is allowed only for the portion of SAF that is included in the blended fuel.

The credit is administered by the Commissioner of Agriculture in accordance with Minnesota Statutes 41A.15 and 41A.30. The commissioner must not issue credit certificates for more than $7.4 million in fiscal year 2025 and $2.1 million in fiscal years 2026 and 2027.

Proposed Law: The bill would expand the credit in the following ways:
- Expands the definition of "Sustainable aviation fuel" to include liquid fuel that is derived from gaseous carbon oxides.
- Increases the credit certificate limits to $7.4 million in fiscal years 2025 through 2027 and $2.1 million for fiscal years 2028 through 2035.
- Creates a supplemental tax credit equal to $0.02 per gallon for each additional whole percentage carbon intensity reduction beyond 50%, capped at $0.50.
- Allows the unallocated credit certificate amounts to remain available for allocation through fiscal year 2035.

REVENUE ANALYSIS DETAIL

- The estimated credit amounts are based on SAF production and demand information released by the Minnesota Sustainable Aviation Fuel Hub.
- A facility with the capability to blend up to 30 million gallons of SAF is expected to complete construction in the fourth quarter of 2025. The estimate assumes blending 30 million gallons of SAF annually.

REVENUE ANALYSIS DETAIL (Cont.)

- A "Demand Consortium" has been formed to purchase the first several million gallons of SAF each year. One airline alone aims to use SAF for 10% of their annual 250 million gallons of fuel to run their schedule out of MSP airport by 2027.
- The estimate also assumes a 50/50 blend of SAF and traditional aviation fuel. Thus, of the 30 million gallons blended, 15 million would be eligible for the $1.50 a gallon credit. Once the blending facility is operating at full capacity, it is assumed there will be a maximum of $22.5 million in eligible credits annually.
- One airline that uses 250 million gallons a year, plans to use 10% SAF by 2027 and 50% by 2035. For this estimate, demand for SAF is assumed to start at 5% of 250 million gallons in 2026 and grow 5% each year thereafter.
- As demand for SAF ramps up over time, it is assumed that unallocated credits from fiscal years 2025 and 2026 will be carried forward and exhausted in 2027.
- Fiscal year impact is assumed to fall in the same fiscal year the credits are allocated.
- The bill increases the total credit allocation for all years from $11.6 million to $39.0 million. The total fiscal impact of the bill is $27.4 million, with the first impact falling in fiscal year 2027 and the last impact falling in fiscal year 2035.

Number of Taxpayers: Unknown.

Minnesota Department of Revenue
Tax Research Division
https://www.revenue.state.mn.us/
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