



**CORPORATE FRANCHISE TAX
INDIVIDUAL INCOME TAX
Sustainable Aviation Fuel Credit**

April 13, 2026

	Yes	No
DOR Administrative Costs/Savings		X

Department of Revenue

Analysis of S.F. 1312 (Rest) as Proposed to be Amended (SCS1312A-4)

	Fund Impact			
	<u>F.Y. 2026</u>	<u>F.Y. 2027</u>	<u>F.Y. 2028</u>	<u>F.Y. 2029</u>
			(000's)	
General Fund	\$0	(\$5,300)	(\$5,300)	(\$2,100)

The supplemental credit is effective beginning with tax year 2025. The increased credit allocations are effective beginning with tax year 2026.

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 add a supplemental tax credit rate for SAF that achieves a lifecycle greenhouse gas reduction (CI reduction) rate greater than 50%. The enhanced tax credit is \$0.02 per gallon of SAF for each additional 1% CI reduction beyond 50%. The total credit is capped at \$2.00 per gallon.

The bill also would increase the maximum credit allocation by \$5.3 million in fiscal year 2027, \$5.3 million in fiscal year 2028 and \$2.1 million in fiscal years 2029 through 2035. This increases the total amount of credit certificates that can be issued through June 30, 2035 from \$11.6 million to \$36.9 million. The credit would expire after tax year 2035.

REVENUE ANALYSIS DETAIL

- No credits were claimed in FY 2025, carrying over the full credit amount to FY 2026.
- As SAF demand increases over time, any unallocated credits from FY 2026 will be carried over and exhausted in FY2027.

REVENUE ANALYSIS DETAIL (Cont.)

- One facility with the capacity of blending up to 30 million gallons of SAF was projected to be completed in the fourth quarter of 2025. The estimate assumes blending 30 million gallons of SAF annually. Of these 30 million gallons, it is assumed that 15 million gallons are eligible for the \$1.50 per gallon credit.
- One airline that uses 250 million gallons of aviation fuel a year plans to use 10% SAF by 2027 and 50% by 2035. This estimate assumes SAF demand starts at 5% of 250 million gallons in 2026, growing by 5% each year afterward.
- It is assumed that the immediate impact of the enhanced tax credit rate will be negligible based on current supply.
- Fiscal year impact is assumed to occur in the same fiscal year the credits are allocated.

Minnesota Department of Revenue
Tax Research Division
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