Beat: Business

Inflation Reduction Act - Summary of Subtitle D - Part 2 (Clean Fuels)

IRA - Summary of Subtitle D - Part 2

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USPA NEWS - The H.R.5376 - Inflation Reduction Act of 2022 is a law that seeks to extend incentives for the production and use of clean fuels, such as biodiesel, renewable diesel, and alternative fuels, and introduce a new credit for sustainable aviation fuel. The law benefits companies involved in the clean fuel industry.

The H.R.5376 - Inflation Reduction Act of 2022 is a proposed law in the United States that aims to extend incentives for the production and use of clean fuels, such as biodiesel, renewable diesel, and alternative fuels. The law would extend existing credits for these fuels, and would introduce a new credit for sustainable aviation fuel. The law would apply to fuel sold or used after December 31, 2021.
Subtitle D--Energy Security, Part 2--Clean Fuels, contains the provisions relating to clean fuel incentives.
SEC. 13201. EXTENSION OF INCENTIVES FOR BIODIESEL, RENEWABLE DIESEL AND ALTERNATIVE FUELS. This section amends section 40A(g) of the Internal Revenue Code of 1986 to extend the biodiesel and renewable diesel credit. This credit is currently set to expire on December 31, 2022, but the proposed law would extend it to December 31, 2024.

The law also amends section 6426(c)(6) and section 6427(e)(6)(B) to extend the biodiesel mixture credit. These provisions are currently set to expire on December 31, 2022, but the proposed law would extend them to December 31, 2024.
Section 6426(d)(5) and section 6426(e)(3) are amended to extend the alternative fuel credit and the alternative fuel mixture credit, respectively. These provisions are currently set to expire on December 31, 2021, but the proposed law would extend them to December 31, 2024.
Section 6427(e)(6)(C) is amended to extend payments for alternative fuels. This provision is currently set to expire on December 31, 2021, but the proposed law would extend it to December 31, 2024.

The amendments made by this section apply to fuel sold or used after December 31, 2021.
SEC. 13202. EXTENSION OF SECOND GENERATION BIOFUEL INCENTIVES. This section amends section 40(b)(6)(J)(i) of the Internal Revenue Code to extend the second generation biofuel credit. This credit is currently set to expire on December 31, 2022, but the proposed law would extend it to December 31, 2025.
The amendment made by this section applies to qualified second generation biofuel production after December 31, 2021.

SEC. 13203. SUSTAINABLE AVIATION FUEL CREDIT. This section inserts a new section, 40B, into the Internal Revenue Code to create a sustainable aviation fuel credit. The credit is equal to the product of the amount of qualified mixture sold or used by the taxpayer during the taxable year and the applicable percentage for the calendar year in which the sale or use occurs. The applicable percentage is determined by the Secretary of the Treasury and is based on the lifecycle greenhouse gas emissions reduction of the qualified mixture compared to the baseline lifecycle greenhouse gas emissions of jet fuel. The credit is limited to the amount of tax against which the credit may be taken, and any unused credit may be carried forward to the following taxable year.

The sustainable aviation fuel credit is available for the sale or use of a qualified mixture that occurs on or after January 1, 2022. The credit is not available for any sale or use of a qualified mixture after December 31, 2026.
In order to claim the credit, a taxpayer must submit a certification to the Secretary of the Treasury, in such form and manner as the Secretary may prescribe, stating the name of the qualified mixture, the applicable percentage for the calendar year in which the sale or use occurs, and such other information as the Secretary may require. The certification must be submitted on or before the due date (including extensions) for the return of tax for the taxable year in which the sale or use of the qualified mixture occurs.

The Secretary is authorized to prescribe such regulations and other guidance as may be necessary or appropriate to carry out the provisions of this section. This may include guidance on the calculation and determination of the applicable percentage for the sustainable aviation fuel credit, as well as the procedures for submitting certifications and claiming the credit.

In addition, the law includes a special rule for alternative fuel credits properly determined under section 6426(d) of the Internal Revenue Code for the period beginning on January 1, 2022, and ending with the close of the last calendar quarter before the date of the enactment of the law. In this case, the credit shall be allowed, and any refund or payment attributable to the credit (including any

payment under section 6427(e) of the Code) shall be made, only in such manner as the Secretary of the Treasury (or the Secretary's delegate) shall provide. The Secretary shall issue guidance within 30 days of the enactment of the law providing for a one-time submission of claims covering these periods. The guidance shall provide for a 180-day period for the submission of such claims (in such manner as prescribed by the Secretary) to begin not later than 30 days after the issuance of the guidance. Claims shall be paid by the Secretary not later than 60 days after receipt.

If the Secretary has not paid a claim filed under this subsection within 60 days of the filing of the claim, the claim shall be paid with interest from the date of filing determined by using the overpayment rate and method under section 6621 of the Code.
This law provides opportunities for companies involved in the production and use of clean fuels to take advantage of extended credits and incentives. Companies should review the provisions of the law carefully and consult with their tax advisors to determine the potential financial benefits and how to claim the credits. They should also monitor the issuance of guidance by the Secretary of the Treasury and any regulations or other guidance that may be relevant to their operations.

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