141.417 Alternative jet fuel tax credit -- Definitions for section -- Rates -- Limits -- Administrative regulations -- Reports -- Application and certification.

(1) As used in this section:

(a) "Agriculturally based alternative jet fuel" means an alternative jet fuel produced from agricultural biomass, including crops and agricultural byproducts derived from agricultural or livestock production, such as corn, soybeans, wheat, canola, animal fats, and biomass residues from trees, wood, and grasses;

(b) "Alternative jet fuel" means a liquid fuel that can be used in an aircraft without the need to modify the aircraft engines or existing fuel distribution infrastructure, and that:

1. Consists of synthesized hydrocarbons and meets the requirements of:

a. The American Society for Testing and Materials International Standard D7566; or

b. The American Society for Testing and Materials International Standard D1655;

2. Is derived from eligible feedstocks;

3. Is not derived from palm fatty acid distillates; and

4. Achieves at least a fifty percent (50%) lifecycle greenhouse gas emissions reduction in comparison with petroleum-based jet fuel, as determined by a test that shows the fuel production pathway achieves at least a fifty percent (50%) reduction of the aggregate attributional care lifecycle by measuring either:

a. Emissions under the lifecycle methodology for alternative jet fuels adopted by the International Civil Aviation Organization with the agreement of the United States; or

b. Greenhouse gas emissions values utilizing the most recent version of Argonne National Laboratory's GREET model;

(c) "Alternative jet fuel producer" means an entity in this state that:

1. Produces alternative jet fuel; or

2. Blends SBC with conventional aviation gasoline or jet fuel;

(d) "Eligible feedstock" means any feedstock that qualifies as an eligible feedstock for purposes of Section 45Z of the Internal Revenue Code;

(e) "Eligible taxpayer" means an alternative jet fuel producer or feedstock provider that is located in the Commonwealth;

(f) "Feedstock provider" means an entity that manufactures an eligible feedstock, including SBC, used in the process of making alternative jet fuel; and

(g) "Synthetic blending component" or "SBC" means synthesized hydrocarbons that meet the requirements in any one (1) of the annexes of the American Society for Testing and Materials International Standard D7566, which may then be used as a component in the manufacture of alternative jet fuel.

(2) (a) There shall be allowed a nonrefundable, nontransferable alternative jet fuel

credit allowed against the taxes imposed in KRS 141.020 or 141.040 and 141.0401 for alternative jet fuel producers in an amount certified by the department under this section, with the ordering of the credits as provided in KRS 141.0205.

(b) For taxable years beginning on or after January 1, 2029, but before January 1, 2035, an eligible taxpayer may claim a credit at a rate of:

1. Fifty cents ($0.50) per gallon to a feedstock provider supplying either eligible feedstocks or SBC to an alternative jet fuel producer;
2. One dollar and fifty cents ($1.50) per gallon to an alternative jet fuel producer that processes eligible feedstocks or blends SBC with conventional jet fuel to produce alternative jet fuel;
3. Two dollars ($2) per gallon to an alternative jet fuel producer that processes eligible feedstocks or blends SBC with conventional jet fuel to produce agriculturally based alternative jet fuel; or
4. Two dollars and fifty cents ($2.50) per gallon to an alternative jet fuel producer that processes eligible feedstocks or blends SBC with conventional jet fuel to produce an agriculturally based alternative jet fuel using an eligible feedstock that was produced in the Commonwealth.

(3) (a) The credit allowed in subsection (2) of this section shall not be carried forward to other taxable years.

(b) The total credit allowed in subsection (2)(b)1. and 2. of this section shall not exceed two million dollars ($2,000,000) per eligible taxpayer per taxable year.

(c) The credits allowed in subsection (2) of this section may stack if the alternative jet fuel producer is the same as the feedstock provider and shall not exceed three dollars ($3) per gallon per entity.

(d) The aggregate total credit certified in a calendar year shall not exceed twenty million dollars ($20,000,000). If the aggregate total of credits certified exceeds twenty million dollars ($20,000,000), the department shall apportion credits pro rata among eligible taxpayers up to the twenty million dollar ($20,000,000) limit.

(4) The department, in conjunction with the Kentucky Department of Agriculture and the Energy and Environment Cabinet, shall promulgate emergency and ordinary administrative regulations in accordance with KRS Chapter 13A to adopt:

(a) Forms and procedures necessary for implementation, calculation, reporting, and certification of the credit no later than October 1, 2028;

(b) Verification standards and processes to ensure the fuel meets the requirements to be alternative jet fuel or agriculturally based alternative jet fuel; and

(c) Verification standards and processes to ensure each alternative jet fuel producer and feedstock provider meets the criteria established in subsection (1)(c) and (f) of this section.

(5) The department, Kentucky Department of Agriculture, and Energy and Environment Cabinet shall report to the Interim Joint Committee on Appropriations

and Revenue when administrative regulations have been promulgated under subsection (4) of this section, and the credit provided in this section shall not be approved prior to the report.

(6) (a) An eligible taxpayer seeking approval for the credit under this section shall:

1. Submit an application to the department, on a form as prescribed by the department, by January 15, 2030, following the close of the calendar year, and each January 15 thereafter as long as the credit is available; and

2. Provide the:

a. Taxpayer's identification number; and

b. Description and amount or volume of alternative jet fuel, eligible feedstock, or SBC:

i. Produced, including anticipated production amounts, for the calendar year; or

ii. Blended, including anticipated production amounts, for the calendar year.

(b) The department shall:

1. Review all applications submitted by eligible taxpayers by February 15, 2030, and each February 15 thereafter as long as the credit is available;

2. Determine the qualifying volumes of alternative jet fuel, eligible feedstock, or SBC per eligible taxpayer; and

3. Issue a certification by March 1, 2030, and each March 1 thereafter as long as the credit is available, of the credit amount approved for each eligible taxpayer.

(7) (a) In order for the General Assembly to evaluate the alternative jet fuel producer credit, by November 1, 2030, and each November 1 thereafter, as long as the tax credit is claimed on any tax return filed, the department shall report the following to the Legislative Research Commission for referral to the Interim Joint Committee on Appropriations and Revenue and the Department of Agriculture:

1. The number of tax returns, by the tax type of return filed, claiming the credit for each taxable year;

2. The total amount of credit claimed on returns filed for each taxable year;

3. The total number of gallons claimed per return filed of:

a. Eligible feedstock or SBC provided;

b. Eligible feedstock processed or SBC blended with conventional jet fuel to produce alternative jet fuel;

c. Agriculturally based alternative jet fuel produced; and

d. Agriculturally based alternative jet fuel produced using an eligible feedstock that was produced in the Commonwealth;

4. The cumulative number of credits claimed by county, as identified by the mailing address on the return filed for each taxable year; and

5. a. In the case of taxpayers other than corporations, based on ranges of adjusted gross income of no larger than five thousand dollars ($5,000), the total amount of credits claimed for each adjusted gross income range for each taxable year.

   b. In the case of corporations, based on ranges of net income of no larger than fifty thousand dollars ($50,000), the total amount of credit claimed for each net income range for each taxable year.

(b) The information required to be reported under this subsection shall not be considered confidential taxpayer information and shall not be subject to KRS Chapter 131 or any other provisions of the Kentucky Revised Statutes prohibiting disclosure or reporting information.

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