

Indiana Incentives for Clean Burning Fuels

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MEETING

Senator Thomas K. Weatherwax
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Indiana's Strategic Economic Development Plan-Energy Initiative

- Accelerate investment in key infrastructure and infrastructure-related industries and activities required for long-term economic growth across Indiana
 - Develop & use environmentally-friendly bio-fuels & clean coal technologies
 - Meet as much of Indiana's future energy needs as possible from local sources
 - Provide new markets for the state's agricultural producers
 - Create jobs using advanced energy technologies
- (http://www.in.gov/gov/media/pdfs/Strategic_Plan2006.pdf)

Legislative Action: 2002-2006

- **2002:** Clean Coal Technology
(SEA 29-2002 (P.L. 159-2002))

- **2005:** Clean Energy I
(SEA 378-2005 (P.L. 191-2005))

- **2006:** Clean Energy II
(SEA 353-2006 (P.L. 122-2006))

Clean Coal Technology (SEA 29-2002 (P.L. 159-2002))

- Establishes Center for Coal Technology Research (IC 4-4-30)
- Permits Utility Regulatory Commission to authorize recovery of costs, increased investor return, and other financial incentives for regulated utilities that use Indiana coal in clean coal and energy projects or otherwise place clean coal pollution control technology in service (IC 8-1-2-6.8; IC 8-1-8.8)
- Similar incentives permitted for use of alternative energy sources (IC 8-1-8.8)

Clean Energy I (SEA 378-2005 (P.L. 191-2005))

- Nonrefundable tax credits (pass through of credit to investors in Sub S Corp., LLC, and LLP and other partnerships permitted)
 - Production of biodiesel (IC 6-3.1-27-8)
 - Blending of blended biodiesel (IC 6-3.1-27-9)
 - Retail sale of blended biodiesel (IC 6-3.1-27-10)
 - Production of ethanol (IC 6-3.1-28-7)
 - Coal gasification technology investment (IC 6-3.1-29)

Clean Energy I (SEA 378-2005 (P.L. 191-2005))

- Tax credits may be applied to:
 - Taxes administered by the Department of State Revenue
 - Adjusted gross income tax
 - Financial institutions tax
 - Utility receipts tax (Coal gasification technology investment tax credit only)
 - Taxes administered by the Department of Insurance
 - Insurance premiums tax
- Prequalification for credit from Indiana Economic Development Corporation required

Clean Energy I (SEA 378-2005 (P.L. 191-2005))

Biodiesel Tax Credits

- Total statewide tax credits capped at \$20 million (cap shared with ethanol production credits)
 - \$1 per gallon of biodiesel produced at an Indiana facility (max. \$5 million per taxpayer)
 - \$0.02 per gallon to blend blended biodiesel at Indiana facility (max. \$3 million per taxpayer)
- Total statewide tax credits capped at \$1 million (expires 12/31/2006)
 - \$0.01 per gallon blended biodiesel sold at retail

Ethanol Tax Credits

- Statewide tax credits capped at \$20 million (cap shared with biodiesel production credits)
- \$0.12 ½ per gallon of ethanol produced at an Indiana facility (max. \$5 million per taxpayer)

Clean Energy I (SEA 378-2005 (P.L. 191-2005))

Clean Coal Tax Credits

- Tax credit granted for qualified investment in integrated coal gasification powerplant and related transmission equipment
 - Additional conditions apply including required use of Indiana coal
 - 10% of first \$500,000,000 of investment & 5% of investment exceeding \$500,000,000
 - Credit required to be applied against taxes over 10 years in equal installments

Clean Energy II (SEA 353-2006 (P.L. 122-2006))

Tax Credit Initiatives

- Retail merchant credit against sales tax remittances equal to \$0.10 per gallon of E85 sold at retail
 - Total statewide credits capped at \$2 million
- Increases statewide cap on biodiesel, blended biodiesel & ethanol production tax credits to \$50 million
- Extends ethanol production credit through 2010
- Expands scope of coal gasification technology investment credit to cover investment in fluidized bed combustion technology by utility or other business
 - 7% 1st \$500 million in investment; 3% additional investment

Clean Energy II (SEA 353-2006 (P.L. 122-2006))

Other Initiatives

- Defines term gasoline to include E85 for purposes of gas tax
- Defines special fuels to include biodiesel and blended biodiesel for purposes of special fuel tax
- Grants immunity from civil liability to sellers, distributors, suppliers, manufacturers, and refiners of E85 when purchaser misuses E85

Edwardsport – Preferred IGCC Site



- Existing 160 MW fossil steam plant (units circa 1940s-1950s) Near Edwardsport, IN
- Replace with 600 MW Class IGCC Plant
- Duke Energy Indiana and Vectren have petitioned IURC for study costs

