As Introduced

136th General Assembly
Regular Session **H. B. No. 1036**
2025-2026

Representatives Peterson, Klopfenstein

To amend sections 5747.98 and 5751.98 and to enact sections 122.079, 5747.74, and 5751.55 of the Revised Code to authorize a nonrefundable tax credit for the production of Ohio biodiesel and renewable diesel.

BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF OHIO:

Section 1. That sections 5747.98 and 5751.98 be amended and sections 122.079, 5747.74, and 5751.55 of the Revised Code be enacted to read as follows:

Sec. 122.079. (A) As used in this section:

(1) "Biodiesel" means a mono-alkyl ester combustible liquid fuel derived from biomass and that meets the American society for testing and materials specification D6751-03a for biodiesel fuel (B100) blend stock distillate fuels.

(2) "Renewable diesel" means hydrocarbon fuel derived from biomass meeting the requirements of the most recent version of the American society for testing and materials standard D975 or D396. A fuel that has been coprocessed or blended is not considered renewable diesel unless the biomass derived portion of the coprocessed renewable diesel can be verified using the most recent version of the American society for testing and

materials standard D6866.

(3) "Agricultural based biodiesel" means biodiesel derived from biomass that is eligible feedstock.

(4) "Agricultural based renewable diesel" means renewable diesel derived from biomass that is eligible feedstock.

(5) "Eligible feedstock" means soybean oil, distillers corn oil, and animal fats.

(6) "Eligible feedstock-producing facility" means a facility or operation located in this state whose output or product is eligible feedstock.

(7) "Terminal" means a motor fuel storage or distribution facility that is supplied by pipeline or marine vessel.

(8) "Qualifying applicant" means a producer of biodiesel or renewable diesel.

(B) A qualifying applicant may apply to the director of development for a nonrefundable tax credit under section 5747.74 or 5751.55 of the Revised Code.

The credit shall equal one of the following cents per gallon of biodiesel or renewable diesel that is produced at a terminal located in this state during the preceding calendar year:

(1) For agricultural based biodiesel or agricultural based renewable diesel that is produced at the qualifying applicant's eligible feedstock-producing facility, seventy-five cents per gallon;

(2) For any other agricultural based biodiesel or agricultural based renewable diesel, fifty cents per gallon;

(3) For any other biodiesel or renewable diesel, twenty-five cents per gallon.

(C) The application may be submitted after the first day and before the twenty-first day of January of the year following the calendar year in which the biodiesel or renewable diesel is produced. The application shall be made on a form and in the manner prescribed by the director, and shall, at a minimum, include any information and documentation sufficient to establish that the applicant meets the eligibility criteria prescribed by this section.

(D) If the director determines that the applicant qualifies for a credit under this section, the director shall issue a tax credit certificate to the applicant not later than the first day of March the year in which the application was submitted. The tax credit certificate shall be identified with a unique number and shall list the amount of credit the director determines the applicant is eligible to claim under section 5747.74 or 5751.55 of the Revised Code. The director shall deliver a copy of each tax credit certificate to the tax commissioner.

(E) The director shall not award more than ten million dollars in tax credits under this section per fiscal year. If the total amount of tax credits requested in applications submitted for a fiscal year exceeds the amount of available credits permitted by this section for that year, the credits shall be apportioned among the applicants that submitted applications in that year by multiplying ten million dollars by a fraction, the numerator of which is the amount of approved credit for the producer and the denominator of which is the total approved credit for all producers.

Sec. 5747.74. There is allowed a nonrefundable credit against the taxpayer's aggregate tax liability under section 5747.02 of the Revised Code for a taxpayer issued a tax credit certificate under section 122.079 of the Revised Code. The credit shall equal the dollar amount indicated on the certificate. The credit shall be claimed for the taxpayer's taxable year that includes the last day of the calendar year in which the biodiesel and renewable diesel that are the basis of the credit are produced.

The taxpayer shall claim the credit in the order required by section 5747.98 of the Revised Code.

If the taxpayer is a direct or indirect investor in a pass-through entity that was issued a tax credit certificate under section 122.079 of the Revised Code, the taxpayer may claim its proportionate or distributive share of the credit allowed under this section.

A taxpayer claiming a credit under this section may not claim the credit authorized under section 5751.55 of the Revised Code on the basis of the same tax credit certificate.

Sec. 5747.98. (A) To provide a uniform procedure for calculating a taxpayer's aggregate tax liability under section 5747.02 of the Revised Code, a taxpayer shall claim any credits to which the taxpayer is entitled in the following order:

Either the retirement income credit under division (B) of section 5747.055 of the Revised Code or the lump sum retirement income credits under divisions (C), (D), and (E) of that section;

Either the senior citizen credit under division (F) of section 5747.055 of the Revised Code or the lump sum

distribution credit under division (G) of that section;

The dependent care credit under section 5747.054 of the Revised Code;

The credit for displaced workers who pay for job training under section 5747.27 of the Revised Code;

The twenty-dollar personal exemption credit under section 5747.022 of the Revised Code;

The joint filing credit under division (E) of section 5747.05 of the Revised Code;

The earned income credit under section 5747.71 of the Revised Code;

The nonrefundable credit for education expenses under section 5747.72 of the Revised Code;

The nonrefundable credit for donations to scholarship granting organizations under section 5747.73 of the Revised Code;

The nonrefundable credit for tuition paid to a nonchartered nonpublic school under section 5747.75 of the Revised Code;

The nonrefundable vocational job credit under section 5747.057 of the Revised Code;

The nonrefundable job retention credit under division (B) of section 5747.058 of the Revised Code;

The enterprise zone credit under section 5709.66 of the Revised Code;

The credit for beginning farmers who participate in a financial management program under division (B) of section

5747.77 of the Revised Code;

The credit for commercial vehicle operator training expenses under section 5747.82 of the Revised Code;

The nonrefundable welcome home Ohio (WHO) program credit under section 122.633 of the Revised Code;

The nonrefundable credit for transformational mixed use development tax credit certificate holders under section 5747.87 of the Revised Code;

The credit for selling or renting agricultural assets to beginning farmers under division (A) of section 5747.77 of the Revised Code;

The credit for purchases of qualifying grape production property under section 5747.28 of the Revised Code;

The small business investment credit under section 5747.81 of the Revised Code;

The nonrefundable lead abatement credit under section 5747.26 of the Revised Code;

The nonrefundable biofuel and renewable biodiesel fuel credit under section 5747.74 of the Revised Code;

The opportunity zone investment credit under section 5747.86 of the Revised Code;

The enterprise zone credits under section 5709.65 of the Revised Code;

The research and development credit under section 5747.331 of the Revised Code;

The credit for rehabilitating a historic building under section 5747.76 of the Revised Code;

The nonrefundable Ohio low-income housing tax credit under section 5747.83 of the Revised Code;

The nonrefundable affordable single-family home credit under section 5747.84 of the Revised Code;

The nonresident credit under division (A) of section 5747.05 of the Revised Code;

The credit for a resident's out-of-state income under division (B) of section 5747.05 of the Revised Code;

The refundable motion picture and broadway theatrical production credit under section 5747.66 of the Revised Code;

The refundable jobs creation credit or job retention credit under division (A) of section 5747.058 of the Revised Code;

The refundable credit for taxes paid by a qualifying entity granted under section 5747.059 of the Revised Code;

The refundable credits for taxes paid by a qualifying pass-through entity granted under division (I) of section 5747.08 of the Revised Code;

The refundable credit under section 5747.80 of the Revised Code for losses on loans made to the Ohio venture capital program under sections 150.01 to 150.10 of the Revised Code;

The refundable credit for rehabilitating a historic building under section 5747.76 of the Revised Code;

The refundable credit under section 5747.39 of the Revised Code for taxes levied under section 5747.38 of the Revised Code paid by an electing pass-through entity.

(B) For any credit, except the refundable credits

enumerated in this section and the credit granted under division (H) of section 5747.08 of the Revised Code, the amount of the credit for a taxable year shall not exceed the taxpayer's aggregate amount of tax due under section 5747.02 of the Revised Code, after allowing for any other credit that precedes it in the order required under this section. Any excess amount of a particular credit may be carried forward if authorized under the section creating that credit. Nothing in this chapter shall be construed to allow a taxpayer to claim, directly or indirectly, a credit more than once for a taxable year.

Sec. 5751.55. There is allowed a nonrefundable credit against the tax levied under section 5751.02 of the Revised Code for a taxpayer issued a tax credit certificate under section 122.079 of the Revised Code. The credit shall equal the dollar amount indicated on the certificate. The credit shall be claimed for the taxpayer's tax period in which the tax credit certificate is issued.

The taxpayer shall claim the credit in the order required by section 5751.98 of the Revised Code.

A taxpayer claiming a credit under this section may not claim the credit authorized under section 5747.74 of the Revised Code on the basis of the same tax credit certificate.

Sec. 5751.98. (A) To provide a uniform procedure for calculating the amount of tax due under this chapter, a taxpayer shall claim any credits to which it is entitled in the following order:

The nonrefundable jobs retention credit under division (B) of section 5751.50 of the Revised Code;

The nonrefundable credit for qualified research expenses

under division (B) of section 5751.51 of the Revised Code;

The nonrefundable credit for a borrower's qualified research and development loan payments under division (B) of section 5751.52 of the Revised Code;

The nonrefundable biofuel and renewable biodiesel fuel credit under section 5751.55 of the Revised Code;

The nonrefundable credit for unused net operating losses under section 5751.53 of the Revised Code;

The refundable motion picture and broadway theatrical production credit under section 5751.54 of the Revised Code;

The refundable jobs creation credit or job retention credit under division (A) of section 5751.50 of the Revised Code.

(B) For any credit except the refundable credits enumerated in this section, the amount of the credit for a tax period shall not exceed the tax due after allowing for any other credit that precedes it in the order required under this section. Any excess amount of a particular credit may be carried forward if authorized under the section creating the credit.

Section 2. That existing sections 5747.98 and 5751.98 of the Revised Code are hereby repealed.