Support Industrial Biotech in the Tax Code

Issue Background

Industrial biotechnology is driving rapid innovation in manufacturing, renewable chemicals and biobased products. Federal policy must keep up. BIO continues to work with Congress to recognize industrial biotechnology innovations as a crucial part of the 21st-century American economy and support them uniformly in the federal tax code.

BIO supports tax credits for advanced and cellulosic biofuels, including the second-generation biofuel producers and accelerated depreciation allowances for biorefineries. Unfortunately, rather than provide long-term certainty to drive investment in these technologies, Congress has extended these specific tax credits on a year-to-year basis between 2014 and 2017 – sometimes retroactively. Few companies make efficient use of them, because they cannot predict their availability at the beginning of each year. BIO advocates a multi-year extension of these credits.

BIO has developed a legislative proposal to provide parity in the tax code for qualifying renewable chemicals. And BIO supports legislation to allow biofuel and renewable chemical producers to use the Master Limited Partnership tax structure, which, currently, only fossil fuel producers are permitted to use.

Policy Position

Commercializing renewable chemicals, advanced biofuels and other industrial biotech processes requires significant investments in infrastructure, including technology demonstration. Tax credits can improve the balance sheet of capital intensive, higher-risk, first-of-a-kind technology projects. Policy makers should create a level playing field for industrial biotechnology to attract investment by:

- **Support Renewable Chemical Innovation in the Federal Tax Code:**
  - Support the Renewable Chemicals Act of 2017 (S.1980/H.R.3149), which would provide up to $500 million in tax credits over five years to companies that produce or invest in production capacity for renewable chemicals.
  - Support the Master Limited Partnership Parity Act (S.2005/H.R.4118), which would enable biofuel, renewable chemical, and carbon capture and utilization projects to use a tax-advantaged ownership structure currently available only to oil and gas exploration partnerships.

- **Provide Stability and Predictability to Advanced and Cellulosic Biofuel Producers:**

- **Create New Technology Neutral Incentives for Start Up Companies:**
  - Design new policy to help small- to medium-size renewable chemical companies monetize net operating losses through tax credits or transfer to new investors.

Key Points

- BIO estimates that more than 1.66 million U.S. workers -- in biofuels, renewable chemicals and polymers, industrial biotechnology and agriculture -- contribute $205 billion to the U.S. economy.
- Since these direct jobs create additional employment and economic opportunities, the U.S. biobased economy has an overall impact of $505 billion and 4.63 million well-paying jobs.
- The United States generates 58 percent of the direct value in the $355 billion global biobased economy. To retain a competitive edge, the United States must support continued investment.
- Availability of tax incentives is critical as our companies make significant investments to create new agricultural supply chains, build infrastructure, and develop innovative technologies.
- The biobased economy is reaching a tipping point. Federal policy must adapt to keep pace.