

**SUBSTITUTE FOR  
SENATE BILL NO. 236**

A bill to create a sustainable aviation fuel incentive program; to provide for the powers and duties of certain state governmental officers and entities; to provide for the certification of certain tax credits and incentives; and to prescribe penalties.

**THE PEOPLE OF THE STATE OF MICHIGAN ENACT:**

1           Sec. 1. This act may be cited as the "sustainable aviation  
2 fuel incentive program act".

3           Sec. 3. As used in this act:

4           (a) "Aviation fuel" means fuel as that term is defined in  
5 section 4 of the aeronautics code of the state of Michigan, 1945 PA  
6 327, MCL 259.4.

7           (b) "Biomass" means any organic matter that is available on a



1 renewable or recurring basis, including agricultural crops and  
2 trees; wood and wood waste and residues; plants, including aquatic  
3 plants, grasses, residues, and fibers; animal waste; and the  
4 organic portion of solid wastes.

5 (c) "Department" means the department of environment, Great  
6 Lakes, and energy.

7 (d) "Greenhouse gas" means carbon dioxide, methane, nitrous  
8 oxide, hydrofluorocarbons, perfluorocarbons, or sulfur  
9 hexafluoride.

10 (e) "Qualified sustainable aviation fuel" means sustainable  
11 aviation fuel that the department determines, based upon evidence  
12 submitted by the applicant under section 5, meets the definition of  
13 sustainable aviation fuel.

14 (f) "Qualified taxpayer" means that term as defined under  
15 section 678 of the income tax act of 1967 PA 281, MCL 206.678.

16 (g) "Sustainable aviation fuel" means aviation fuel that  
17 satisfies all of the following:

18 (i) Except as otherwise provided under this subparagraph, is  
19 derived from biomass, waste streams, renewable or zero emissions  
20 energy sources, or gaseous carbon oxides. Beginning January 1,  
21 2030, the aviation fuel must be derived from domestic feedstock  
22 resources and must not be derived from coprocessing an applicable  
23 material, or materials derived from an applicable material, with a  
24 feedstock that is not biomass.

25 (ii) Meets the requirements of the ASTM International D7566  
26 "Standard Specification for Aviation Turbine Fuel Containing  
27 Synthesized Hydrocarbons" or D1655 "Standard Specification for  
28 Aviation Turbine Fuels".

29 (iii) Achieves at least a 50% life-cycle greenhouse gas



emissions reduction in comparison with petroleum-based aviation fuel, as determined by any of the following:

(A) The most recent life-cycle methodology for calculating the life-cycle emissions of sustainable aviation fuels adopted by the International Civil Aviation Organization with the agreement of the United States.

(B) The most recent version of the Argonne National Laboratory's Greenhouse gases, Regulated Emissions, and Energy use in Technologies (GREET) model, inclusive of, but not limited to, climate smart agricultural practices, on-site renewables, and carbon capture and sequestration.

(C) Any other model the department approves to calculate life-cycle greenhouse gas emissions for sustainable aviation fuel.

(h) "Sustainable aviation fuel incentive program" or "program" means the program created under section 5.

(i) "Sustainable aviation fuel tax credit" means the tax credit allowed under section 678 of the income tax act of 1967, 1967 PA 281, MCL 206.678.

(j) "Tax year" means that term as defined in section 611 of the income tax act of 1967 PA 281, MCL 206.611.

Sec. 5. (1) The department shall create a sustainable aviation fuel incentive program to encourage persons engaged in the business of producing aviation fuel to produce more sustainable aviation fuel in this state. The department shall administer the program and develop and use an application, approval, and certification process for the approval of sustainable aviation fuel tax credits and make that process available on the department's website.

(2) A person seeking to claim a sustainable aviation fuel tax credit shall, within 2 months after the close of the person's tax



1 year and in a form and manner as prescribed by the department,  
2 submit an application to the department for approval and  
3 certification of the number of gallons of sustainable aviation fuel  
4 produced or blended in this state and sold during the tax year that  
5 meet the requirements to be certified as qualified sustainable  
6 aviation fuel and the amount of the sustainable aviation fuel tax  
7 credit allowed to be claimed by the applicant. The applicant must  
8 submit all of the following with the application required under  
9 this subsection:

10 (a) Evidence that the person is engaged in the business of  
11 producing or blending sustainable aviation fuel in this state and  
12 that the sustainable aviation fuel sold during the tax year for  
13 which the credit is sought to be claimed was produced or blended in  
14 this state.

15 (b) Evidence that the sustainable aviation fuel is qualified  
16 sustainable aviation fuel and, for a person seeking the increased  
17 credit, evidence that the qualified sustainable aviation fuel has  
18 more than a 50% life-cycle greenhouse gas emissions reduction.

19 (c) Copies of each purchaser's certification that the  
20 qualified sustainable aviation fuel purchased in this state from  
21 that person was purchased for use as fuel in an aircraft departing  
22 from an airport in this state.

23 (3) For purposes of the purchaser's certification required  
24 under subsection (2), if the purchaser is a wholly owned subsidiary  
25 of an airline operator, the purchaser may make the certification  
26 required under this section based on information from the airline  
27 operator that the qualified sustainable aviation fuel was purchased  
28 for use in an aircraft departing from an airport in this state. If  
29 a purchaser makes a certification required under this section that



1 it knows or has reason to know is false, any person responsible for  
2 preparing or submitting that certification is guilty of a  
3 misdemeanor punishable by imprisonment for not more than 1 year, a  
4 fine of not more than \$1,000.00, or both. A purchaser that is a  
5 wholly owned subsidiary of an airline operator that makes a  
6 certification required under this section based on information from  
7 that airline operator is deemed to have the same knowledge of the  
8 accuracy of such information as the airline operator.

9 (4) Subject to the limitation under section 7, not later than  
10 30 days after receipt of an application submitted under this  
11 section, the department shall approve, reject, or request  
12 additional information if deemed necessary. If additional  
13 information is requested, the applicant has 30 days upon receipt of  
14 the notification from the department to submit the additional  
15 information. If the applicant fails to submit the additional  
16 information requested within 30 days after being notified that  
17 additional information was needed, the application is considered  
18 abandoned and rejected. If an application is rejected by the  
19 department, the department must notify the applicant in writing and  
20 include the reasons for the rejection. If an application is  
21 approved, the department must issue a certificate to the applicant.  
22 The certificate required under this subsection must state all of  
23 the following:

24 (a) The person is a qualified taxpayer.

25 (b) The sustainable aviation fuel for which the credit is  
26 being claimed by the qualified taxpayer is qualified sustainable  
27 aviation fuel.

28 (c) The total amount of the qualified sustainable aviation  
29 fuel that was produced or blended and sold in this state during the



1 tax year by the qualified taxpayer and the maximum amount of the  
2 sustainable aviation fuel tax credit allowed to be claimed by the  
3 qualified taxpayer for the designated tax year.

4 (d) The taxpayer's federal employer identification number or  
5 the Michigan department of treasury number assigned to the  
6 taxpayer.

7 Sec. 7. The department shall not approve and certify more than  
8 \$4,500,000.00 in sustainable aviation fuel tax credits under the  
9 program during the 2025-2026 state fiscal year. For each state  
10 fiscal year after the 2025-2026 state fiscal year, the maximum  
11 amount allowed to be approved and certified under the program  
12 during a state fiscal year is \$9,000,000.00.

13 Sec. 9. (1) Not later than January 1 of each year, the  
14 department shall submit a report to the senate energy and  
15 environment committee, the house of representatives energy  
16 committee, the senate and house of representatives appropriations  
17 committees, and the senate and house of representatives fiscal  
18 agencies on the operation and effectiveness of the program for the  
19 immediately preceding fiscal year.

20 (2) The report under subsection (1) must include all of the  
21 following information:

22 (a) The total amount of sustainable aviation fuel tax credits  
23 certified under the program.

24 (b) The number of applications received and the number  
25 approved during the fiscal year.

26 Enacting section 1. This act does not take effect unless  
27 Senate Bill No. 235 of the 103rd Legislature is enacted into law.

