

**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 fat; and the organic  
4 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) "Income tax act of 1967" means the income tax act of 1967,  
11 1967 PA 281, MCL 206.1 to 206.847.

12 (f) "Qualified sustainable aviation fuel" means aviation fuel  
13 that the department certifies, based upon evidence submitted by the  
14 applicant under section 5, meets the definition of sustainable  
15 aviation fuel and satisfies the requirements in subsection (1) of  
16 the sustainable aviation fuel tax credit.

17 (g) "Qualified taxpayer" means that term as defined under  
18 section 678 of the income tax act of 1967, MCL 206.678.

19 (h) "Sustainable aviation fuel" means aviation fuel that  
20 satisfies all of the following:

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

28 (ii) Meets the requirements of the ASTM International D7566  
29 "Standard Specification for Aviation Turbine Fuel Containing

1 Synthesized Hydrocarbons" or D1655 "Standard Specification for  
2 Aviation Turbine Fuels".

3 (iii) Achieves at least a 50% life-cycle greenhouse gas  
4 emissions reduction in comparison with petroleum-based aviation  
5 fuel, as determined by any of the following:

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

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

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

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

19 (j) "Sustainable aviation fuel tax credit" means the tax  
20 credit allowed under section 678 of the income tax act of 1967, MCL  
21 206.678.

22 (k) "Tax year" means that term as defined in section 611 of  
23 the income tax act of 1967, MCL 206.611.

24 Sec. 5. (1) The department shall create a sustainable aviation  
25 fuel incentive program to encourage persons engaged in the business  
26 of producing aviation fuel to produce more sustainable aviation  
27 fuel in this state. The department shall administer the program and  
28 develop and use an application, approval, and certification process  
29 for the approval of sustainable aviation fuel tax credits and make

1 that process available on the department's website.

2 (2) A person seeking to claim a sustainable aviation fuel tax  
3 credit shall, within 2 months after the close of the person's tax  
4 year and in a form and manner as prescribed by the department,  
5 submit an application to the department for approval and  
6 certification of the number of gallons of sustainable aviation fuel  
7 that satisfies the requirements in subsection (1) of the  
8 sustainable aviation fuel tax credit, and the amount of the  
9 sustainable aviation fuel tax credit allowed to be claimed by the  
10 applicant. The applicant must submit all of the following with the  
11 application required under this subsection:

12 (a) Evidence that the person is engaged in the business of  
13 producing or blending sustainable aviation fuel in this state and  
14 that the sustainable aviation fuel sold during the tax year for  
15 which the credit is sought to be claimed satisfies the requirements  
16 in subsection (1) of the sustainable aviation fuel tax credit.

17 (b) Evidence that the aviation fuel is sustainable aviation  
18 fuel and, for a person seeking the increased credit under  
19 subsection (2) of the sustainable aviation fuel tax credit,  
20 evidence of the total percentage reduction in life-cycle greenhouse  
21 gas emissions above 50%.

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

26 (3) For purposes of the purchaser's certification required  
27 under subsection (2)(c), if the purchaser is a wholly owned  
28 subsidiary of an airline operator, the purchaser may make the  
29 certification required under subsection (2)(c) based on information

1 from the airline operator that the sustainable aviation fuel was  
2 purchased for use in an aircraft departing from an airport in this  
3 state. If a purchaser makes a certification required under  
4 subsection (2)(c) that it knows or has reason to know is false, any  
5 person responsible for preparing or submitting that certification  
6 is guilty of a misdemeanor punishable by imprisonment for not more  
7 than 1 year, a fine of not more than \$1,000.00, or both. A  
8 purchaser that is a wholly owned subsidiary of an airline operator  
9 that makes a certification required under subsection (2)(c) based  
10 on information from that airline operator is deemed to have the  
11 same knowledge of the accuracy of such information as the airline  
12 operator.

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

28 (a) The person is a qualified taxpayer.

29 (b) The sustainable aviation fuel for which the credit is

1 being claimed by the qualified taxpayer is qualified sustainable  
2 aviation fuel.

3 (c) The total amount of the qualified sustainable aviation  
4 fuel and the maximum amount of the sustainable aviation fuel tax  
5 credit allowed to be claimed by the qualified taxpayer for the  
6 designated tax year.

7 (d) The taxpayer's federal employer identification number or  
8 the Michigan department of treasury number assigned to the  
9 taxpayer.

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

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

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

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

27 (b) The number of applications received and the number  
28 approved during the fiscal year.

29 Enacting section 1. This act does not take effect unless

1 Senate Bill No. 235 of the 103rd Legislature is enacted into law.