

26105191D

1 **HOUSE BILL NO. 1230**

2 Offered January 14, 2026

3 Prefiled January 14, 2026

4 *A BILL to amend the Code of Virginia by adding in Article 13 of Chapter 3 of Title 58.1 a section numbered*
5 *58.1-439.12:13, relating to income tax; sustainable aviation fuel production tax credit.*

6 Patron—Sewell

7 Committee Referral Pending

8 **Be it enacted by the General Assembly of Virginia:**9 **1. That the Code of Virginia is amended by adding in Article 13 of Chapter 3 of Title 58.1 a section**
10 **numbered 58.1-439.12:13 as follows:**11 **§ 58.1-439.12:13. Sustainable aviation fuel production tax credit.**12 **A. For purposes of this section:**13 "Eligible producer" means a taxpayer that manufactures sustainable aviation fuel in the Commonwealth
14 from feedstock or biomass grown or produced inside of the Commonwealth.

15 "Sustainable aviation fuel" means liquid fuel that:

16 **1. a. Meets the criteria set forth in § 40B of the Internal Revenue Code; or**17 **b. Consists of synthesized hydrocarbons and meets the requirements of (i) ASTM International standard**
18 **D7566 or (ii) the Fischer-Tropsch provisions of ASTM International standard D1655, Annex A1;**19 **2. Is derived from biomass as defined in § 10.1-1308.1, waste streams, renewable energy sources, or**
20 **gaseous carbon oxides;**21 **3. Is not derived from palm fatty acid distillates; and**22 **4. Achieves at least a 50 percent lifecycle greenhouse gas emissions reduction in comparison with**
23 **petroleum-based jet fuel, as determined by a test that shows:**24 **a. The fuel production pathway achieves at least a 50 percent reduction of the aggregate attributional**
25 **core lifecycle emissions and the positive induced land use change values under the lifecycle methodology for**
26 **sustainable aviation fuels adopted by the International Civil Aviation Organization with the agreement of the**
27 **United States; or**28 **b. The fuel production pathway achieves at least a 50 percent reduction of the aggregate attributional**
29 **core lifecycle greenhouse gas emissions values utilizing the most recent version of Argonne National**
30 **Laboratory's GREET model, inclusive of agricultural practices and carbon capture and sequestration.**31 **B. For taxable years beginning on and after January 1, 2026, but before January 1, 2031, an eligible**
32 **producer shall be allowed a nonrefundable credit against the tax levied pursuant to § 58.1-320 or 58.1-400**
33 **in an amount equal to the lesser of (i) \$0.75 per gallon of sustainable aviation fuel produced in the taxable**
34 **year or (ii) \$5 million. The aggregate amount of credits allowable under this subdivision shall not exceed \$20**
35 **million per taxable year. Credits shall be allocated by the Department on a first-come, first-served basis.**36 **C. The amount of the credit claimed shall not exceed the total amount of tax imposed pursuant to**
37 **§ 58.1-320 or 58.1-400 upon the taxpayer for the taxable year. Any credit not usable for the taxable year for**
38 **which the credit was first allowed may be carried over for credit against the income taxes of the taxpayer in**
39 **the next five succeeding taxable years or until the total amount of the tax credit has been taken, whichever is**
40 **sooner.**41 **D. Credits granted to a partnership, limited liability company, or electing small business corporation (S**
42 **corporation) shall be allocated to the individual partners, members, or shareholders, respectively, in**
43 **proportion to their ownership or interest in such business entities.**44 **E. The Tax Commissioner shall develop guidelines for claiming the credit provided by this section. Such**
45 **guidelines shall be exempt from the provisions of the Administrative Process Act (§ 2.2-4000 et seq.).**

INTRODUCED

HB1230