DEPARTMENT OF TAXATION
2026 Fiscal Impact Statement

1. **Patron** Briana D. Sewell

2. **Bill Number** HB 1230
House of Origin:
__X__ **Introduced**
_____ **Substitute**
_____ **Engrossed**

Second House:
_____ **In Committee**
_____ **Substitute**
_____ **Enrolled**

3. **Committee** House Finance

4. **Title** Income Tax: Sustainable Aviation Fuel Production Tax Credit

5. **Summary/Purpose:**

This bill would provide eligible producers of sustainable aviation fuel a nonrefundable tax credit in an amount equal to the lesser of (i) $0.75 per gallon of sustainable aviation fuel produced in the taxable year or (ii) $5 million.

The aggregate amount of credits for all taxpayers is limited to $20 million per taxable year, allocated by the Department on a first-come, first-served basis.

This bill would become effective for taxable years beginning on and after January 1, 2026, but before January 1, 2031.

6. **Budget amendment necessary:** Yes.
Item(s): 261 and 263 Department of Taxation

7. **Fiscal Impact Estimates are:** Preliminary. (See Line 8.)
7a. Expenditure Impact:

Fiscal Year	***Dollars***	***Positions***	***Fund***
2026-27	$418,560	1	GF
2027-28	$144,300	1	GF
2028-29	$88,800	1	GF
2029-30	$88,800	1	GF
2030-31	$88,800	1	GF
2031-32	$88,800	1	GF

8. **Fiscal implications:**

Administrative Costs

The Department of Taxation (“the Department”) would incur estimated expenditures, as shown on Line 7a. The costs above would be incurred by updating the Department’s forms and systems to implement the new credit and adding a new full-time position.

Because of the implementation and release schedule for the Integrated Revenue Management System ("IRMS") replacement project, the Department does not anticipate any system changes or resource constraints for this legislation if enacted during the 2026 Regular Session of the General Assembly. For more information on the new system implementation releases, see the 2025 Status Report on the Replacement of the Integrated Revenue Management System (IRMS).

Revenue Impact

This bill would have an unknown negative General Fund revenue impact of up to $20 million in Fiscal Years 2027 through 2031. Because the Department was unable to obtain state level data on the current production of fuel meeting the criteria outlined in this bill, it is unknown how many taxpayers will claim the credit nor is it known how many gallons of qualifying fuel is produced by such taxpayers.

9. Specific agency or political subdivisions affected:

Department of Taxation

10. Technical amendment necessary: No.

11. Other comments:

Proposal

This bill would provide eligible producers of sustainable aviation fuel a nonrefundable tax credit in an amount equal to the lesser of (i) $0.75 per gallon of sustainable aviation fuel produced in the taxable year or (ii) $5 million.

The aggregate amount of credits for all taxpayers is limited to $20 million per taxable year, allocated by the Department on a first-come, first-served basis. If the amount of Sustainable Aviation Fuel Production Credits allowed to a taxpayer exceeds the taxpayer's tax liability, the excess may be carried over for up to five years.

"Eligible producer" would mean a taxpayer that manufactures sustainable aviation fuel in Virginia from feedstock or biomass grown or produced inside Virginia.

"Sustainable aviation fuel" would mean liquid fuel that:

- Meets the criteria in §40B of the IRC; or
    - Consists of synthesized hydrocarbons and meets the requirements of
        - ASTM International standard D7566, or
        - the Fischer-Tropsch provision of ASTM International standard D1655, Annex A1;
- Is derived from biomass as defined in Virginia law, waste streams, renewable energy sources, or gaseous carbon oxides;
- Is not derived from palm fatty acids distillates; and
- Achieves at least a 50 percent lifecycle greenhouse gas emissions reduction in comparison with petroleum-based jet fuel, as determined by a test.

Taxpayers would self-report their qualifying fuel production quantities and compliance with fuel criteria; no state agency would monitor or certify this tax credit. The Tax Commissioner would be required to develop guidelines for claiming this credit.

This bill would become effective for taxable years beginning on and after January 1, 2026, but before January 1, 2031.

cc : Secretary of Finance

Date: 02/07/2026 RJ
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