

Subject Sustainable aviation fuel

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Overview

H.F. 1669 would modify the state's existing income tax credit for the production of sustainable aviation fuel by modifying the types of fuel that qualify for the credit, providing a supplemental credit for increases in fuel having certain carbon intensity reductions, extending and increasing the credit allocation, and extending the sunset from tax year 2031 to tax year 2036.

Summary

Section	Description
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| 1 | <p>Definitions.</p> <p>Modifies the definition of fuel that qualifies for the credit. Biomass feedstock would be limited to actively managed or fallow agricultural land cleared or cultivated prior to December 19, 2007. In addition, fuel could be derived from gaseous carbon oxides and hydrogen meeting certain carbon intensity rules (four kilograms of carbon dioxide per kilogram of hydrogen produced).</p> <p>Effective date: Retroactive to tax year 2025, for fuel sold after June 30, 2025.</p> |
| 2 | <p>Tax credit establishment.</p> <p>Requires that carbon oxides sequestered during the fuel production process must not be used as a tertiary injectant in a qualified enhanced oil recovery project.</p> <p>Allows a supplemental credit of 2 cents per gallon for each additional whole percentage carbon intensity reduction beyond 50 percent, up to 50 cents per gallon.</p> <p>Effective date: Retroactive to tax year 2025, for fuel sold after June 30, 2025.</p> |
| 3 | <p>Allocation limits.</p> <p>Increases the credit allocation from \$2,100,000 in fiscal year 2027 to \$7,400,000. Allows a new credit allocation of \$5,300,000 for fiscal year 2028 and \$2,100,000 for fiscal years 2029 through 2035.</p> |

Section	Description
	Effective date: Retroactive to tax year 2025.
4	Expiration. Extends the sunset for the credit to tax year 2036, from tax year 2031. Effective date: Day following final enactment.



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