

April 14, 2026

Senator Ann Rest

75 Rev. Dr. Martin Luther King Jr. Blvd.

Capitol, Room 328

St. Paul, MN 55155

Dear Chair Rest and Senate Taxes Committee Members:

Passage of the Sustainable Aviation Fuel (SAF) Tax Credit during the 2023 legislative session was a historic state investment in a cross-cutting climate solution—one that supports production of cleaner aviation fuels, strengthens Minnesota’s rural economy, creates family-sustaining jobs, and advances decarbonization of the transportation sector. With the Clean Fuel Tax Credit (45Z) for SAF significantly reduced in the federal budget reconciliation bill passed in July 2025, state-level incentives for SAF production are now more critical than ever. The Governor’s Supplemental Budget proposes a SAF Tax Credit funding and policy package that right-sizes the state credit and incorporates new environmental safeguards for eligibility.

A broad and diverse coalition—including environmental, agricultural, and forestry organizations; clean energy and economic development nonprofits; and labor partners—has developed and unanimously supports the SAF Tax Credit policy and funding proposal included in the Governor’s Supplemental Budget and incorporated into SF1312 via Senator Rest’s author’s amendment. Our coalition has coordinated closely with the Minnesota Department of Agriculture and the Department of Revenue to craft a balanced approach that supports Minnesota’s emerging SAF industry while protecting the environmental integrity of our lands, waters, and natural resources.

New Environmental Safeguards

- Feedstocks must be domestically sourced; imported feedstocks such as used cooking oil or sugarcane ethanol are not eligible.
- Agricultural feedstocks must be grown on land in cultivation prior to 2007. This aligns with the start of the federal Renewable Fuel Standard and ensures the SAF Tax Credit does not incentivize the conversion of Minnesota’s natural lands for feedstock production.
- SAF produced with carbon capture and storage qualifies only if its carbon is permanently stored underground and not used for enhanced oil recovery.

Increased SAF Tax Credit Funding

The increased funding right-sizes the SAF tax credit allocation to match the growing demand for low-carbon aviation fuels in Minnesota. The MN SAF Hub has set an ambitious goal of producing one billion gallons of SAF annually to decarbonize air travel and strengthen the state’s clean-tech economy. This bill provides additional funding for the tax credit at \$5.3 million per year in FY 2027

and FY 2028, and \$2.1 million per year from FY 2029 to FY 2035. These investments preserve Minnesota's leadership as neighboring states consider their own SAF incentives. Extending the tax credit through FY 2035 provides long-term policy certainty—helping producers reach final investment decisions by providing predictable revenue, reducing regulatory risk, and enabling the stacking of incentives necessary to make SAF projects financially viable over their operational lifespan. While federal credits like 45Z provide a base incentive, state-level policies bridge the cost gap with conventional jet fuel, acting as the deciding factor to move projects from planning to construction.

Encouraging Ultra-Low-Carbon SAF

This bill adds a supplemental tax credit rate for SAF with a lifecycle carbon intensity (CI) reduction greater than 50 percent. By definition, SAF must achieve a minimum 50% reduction in lifecycle CI compared to petroleum jet fuel. The proposed supplemental credit—\$0.02 per gallon for each additional percentage point of CI reduction beyond 50 percent—will accelerate innovation, lower greenhouse gas emissions, and incentivize the production of ultra-low-carbon SAF.

Technical Correction: SAF Feedstock Definition

The bill includes a technical correction to the definition of SAF in Minnesota Statutes 41A.30 to reflect the full diversity of feedstocks used in SAF production. The current definition does not clearly articulate eligibility for clean hydrogen and CO₂-based feedstocks. Updating this definition now is essential to provide regulatory certainty for producers.

The Minnesota SAF Tax Credit funding and policy proposal before you will strengthen the state's competitiveness, provide the certainty that SAF producers and financiers require, reward the production of the lowest-carbon fuels, and protect Minnesota's natural resources. Thank you for your time, service, and thoughtful consideration of funding and policy mechanisms that will spur SAF production in Minnesota.

Sincerely,

Clean Energy Economy Minnesota
Friends of the Mississippi River
Fresh Energy
Gevo
Great Plains Institute
Minnesota AgriGrowth Council
Metropolitan Airports Commission
Minnesota Biofuels Association
Minnesota Building Trades
Minnesota Chamber of Commerce

Minnesota Corn Growers Association
Minnesota Environmental Partnership
Minnesota Farm Bureau
Minnesota Farmers Union
Minnesota Forest Industries
Minnesota Forest Resources Council
Minnesota Forestry Association
Minnesota Pipe Fitters
Minnesota Timber Producers Association
Minnesota Soybean Growers Association
Minnesota Building Trades
State of Minnesota
The Nature Conservancy
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