To amend the Internal Revenue Code of 1986 to provide a tax credit for sustainable aviation fuel, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

Mr. SCHNEIDER introduced the following bill; which was referred to the Committee on ______________________

A BILL

To amend the Internal Revenue Code of 1986 to provide a tax credit for sustainable aviation fuel, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. SHORT TITLE.

This Act may be cited as the “Sustainable Skies Act”.

SEC. 2. SUSTAINABLE AVIATION FUEL CREDIT.

(a) IN GENERAL.—Subpart D of part IV of subchapter A of chapter 1 of the Internal Revenue Code of
1986 is amended by inserting after section 40A the following new section:

"SEC. 40B. SUSTAINABLE AVIATION FUEL CREDIT.

(a) IN GENERAL.—

(1) CREDIT AMOUNT.—For purposes of section 38, the sustainable aviation fuel credit for the taxable year is, with respect to each gallon of sustainable aviation fuel which is used by the taxpayer in the production of a qualified mixture—

(A) a base credit amount of $1.50, plus

(B) the applicable supplementary credit amount.

(2) APPLICABLE SUPPLEMENTARY CREDIT AMOUNT.—

(A) IN GENERAL.—For purposes of paragraph (1), the applicable supplementary credit amount is $0.01 for every percentage point above 50 percent for which the sustainable aviation fuel is certified under subsection (f) to reduce emissions in comparison with petroleum-based jet fuel as described in subsections (d)(2)(A) or (d)(2)(B).

(B) MAXIMUM SUPPLEMENTARY CREDIT AMOUNT.—For purposes of subparagraph (A),
the maximum applicable supplementary credit
amount allowable is $0.50.

“(3) 40A EXCEPTION.—If the biodiesel fuels
credit under section 40A is not in effect for a tax-
able year, paragraph (1)(A) shall be applied by sub-
stituting ‘$1.15’ for ‘$1.50’.

“(b) QUALIFIED MIXTURE.—For purposes of this
section, the term ‘qualified mixture’ means a mixture of
sustainable aviation fuel and kerosene, which—

“(1) is sold by the taxpayer producing such
mixture for use in an aircraft that has fuel uplift in
the United States, or

“(2) is used—

“(A) by the taxpayer producing such mix-
ture, and

“(B) in an aircraft that has fuel uplift in
the United States.

“(c) SALE OR USE MUST BE IN TRADE OR BUSI-
NESS, ETC.—Sustainable aviation fuel used in the produc-
tion of a qualified mixture shall be taken into account—

“(1) only if the sale or use described in sub-
section (b) is in a trade or business of the taxpayer, and

“(2) for the taxable year in which such sale or
use occurs.
(d) **Sustainable Aviation Fuel.**—For purposes of this section, the term ‘sustainable aviation fuel’ means liquid fuel—

“(1) that—

“(A) consists of synthesized hydrocarbons,

“(B) meets the requirements of—

“(i) **ASTM International Standard D7566,** or

“(ii) the Fischer Tropsch provisions of **ASTM International Standard D1655,** Annex A1, and

“(C) is derived from biomass (as such term is defined in section 45K(e)(3)), waste streams, renewable energy sources, or gaseous carbon oxides,

“(D) is not derived from palm fatty acid distillates, and

“(2) that achieves at least a 50 percent lifecycle greenhouse gas emissions reduction in comparison with petroleum-based jet fuel, as determined by a test that shows—

“(A) the fuel production pathway achieves at least a 50 percent reduction of the aggregate attributional core lifecycle emissions and the positive induced land use change values under
the lifecycle methodology for sustainable aviation fuels adopted by the International Civil Aviation Organization with the agreement of the United States, or

“(B) the fuel production pathway achieves at least a 50 percent reduction of the aggregate attributional core lifecycle greenhouse gas emissions values and the positive induced land use change values under another methodology that the Secretary, in consultation with the Administrator of the Environmental Protection Agency, determines is—

“(i) reflective of the latest scientific understanding of lifecycle greenhouse gas emissions, and

“(ii) as stringent as the requirement under subparagraph (A).

“(e) Time Limit for Adoption of New Sustainable Aviation Fuel Emissions Reduction Test.—For purposes of subparagraph (B) of subsection (d)(2), the Secretary, in consultation with the Administrator of the Environmental Protection Agency, shall, within 24 months after the date of the enactment of this section, adopt at least one methodology for testing lifecycle green-
house gas emissions that meets the requirements of such subparagraph.

“(f) Certification Requirements.—

“(1) In general.—No credit shall be allowed under subsection (a) unless the taxpayer meets certification requirements demonstrating the sustainable aviation fuel conforms with one of the lifecycle greenhouse gas emissions reduction tests under subsection (d)(2).

“(2) Certification requirement for test in (d)(2)(A).—For purposes of paragraph (1), with respect to certifications based on the test under subparagraph (A) of subsection (d)(2), the taxpayer shall obtain from the fuel producer a certification from a sustainability certification scheme approved by the International Civil Aviation Organization demonstrating that the fuel conforms with the Carbon Offsetting and Reduction Scheme for International Aviation’s sustainability criteria and the traceability and information transmission requirements approved by the International Civil Aviation Organization with the agreement of the United States.

“(3) Certification requirements for test in (d)(2)(B).—For purposes of paragraph (1), with
respect to certifications based on the test under sub-
paragraph (B) of subsection (d)(2)—

“(A) the taxpayer shall obtain from the
fuel producer a certification that the fuel has
been determined by the Environmental Protec-
tion Agency to qualify under the requirements
of such subparagraph, and

“(B) the taxpayer shall obtain from the
fuel producer an additional certification that
the fuel conforms with the sustainability criteria
and the traceability and information trans-
mission requirements that the Secretary, in
consultation with the Administrator of the En-
vironmental Protection Agency, determines are
equivalent with those necessary to claim emis-
sions reductions from sustainable aviation fuel
use under the Carbon Offsetting and Reduction
Scheme for International Aviation adopted by
the International Civil Aviation Organization
with the agreement of the United States.

“(g) TERMINATION.—This section shall not apply to
any sale or use after December 31, 2031.”.

(b) CREDIT MADE PART OF GENERAL BUSINESS

CREDIT.— Section 38(b) (relating to current year busi-
ness credit) is amended by striking “plus” at the end of
paragraph (32), by striking the period at the end of paragraph (33) and inserting “, plus”, and by inserting after paragraph (33) the following new paragraph:

“(34) the sustainable aviation fuel credit determined under section 40B.”.

(c) CONFORMING AMENDMENT.—Section 40A(f) of such Code is amended by striking paragraph (4).

(d) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years ending after the date of the enactment of this Act.