



STATE OF SOUTH CAROLINA
DEPARTMENT OF REVENUE
**ETHANOL OR BIODIESEL
PRODUCTION CREDIT**
Attach to your Income Tax Return

SC SCH.TC-40

(Rev. 12/13/07)
3439

20

Name As Shown On Tax Return

SS No. or Fed. EI No.

Complete a separate TC-40 for each facility.

Credit Computation

- 1. Enter the amount of credit indicated in writing by the S.C. Department of Revenue 1. \$ _____
- 2. Enter your current year tax liability 2. \$ _____
- 3. Enter the lesser of line 1 or line 2. This is your credit for the current year. Enter this amount on the appropriate tax credit schedule 3. \$ _____

General Information

For tax years beginning after 2006 and before 2014, a corn-based ethanol or soy-based biodiesel production facility may qualify for an income tax credit of 20¢ for each gallon produced of corn-based ethanol or soy-based biodiesel, before denaturing. The credit is allowed for 60 months beginning with the first month for which the facility is eligible to receive the credit and ending no later than December 31, 2014. A facility becomes eligible in the first month that the production rate is 25% or more of its name plate design capacity, before denaturing, and it must maintain an average production rate of 25% or more for at least the first 6 months. The facility must become eligible on or before December 31, 2009 in order to qualify for the credit.

Also for tax years beginning after 2006 and before 2014, an ethanol production facility using a feedstock other than corn or a biodiesel production facility using a feedstock other than soy oil may qualify for an income tax credit of 30¢ for each gallon produced of noncorn ethanol or nonsoy oil biodiesel, before denaturing. The credit is allowed for 60 months beginning with the first month for which the facility is eligible to receive the credit and ending no later than December 31, 2014. A facility becomes eligible in the first month that it produces at or above the minimum rates required by Code Section 12-6-3600(B) of its name plate design capacity, and it must maintain an average production rate at or above the required minimum production rate for at least the first 6 months. The facility must become eligible on or before December 31, 2009 in order to qualify for the credit.

Before 2014, no more than 25,000,000 gallons of ethanol or biodiesel produced in a year may qualify for the original production credit. A producer may claim a credit only for the periods specified.

No more than 125,000,000 gallons of ethanol or biodiesel produced at an ethanol or biodiesel facility by the end of the 60-month period is eligible for the credit. The total amount of credits for a fiscal year may not exceed \$800,000. If the limit is reached, all credits will apply proportionately among eligible claimants.

The Department of Revenue may examine or cause to have examined, by any agent or representative designated for that purpose, any relevant books, papers, records, or memoranda for purposes of ascertaining the correctness of any application for claiming a credit.

Definitions:

An ethanol facility is a plant or facility primarily engaged in the production of ethanol or ethyl alcohol derived from renewable and sustainable bioproducts used as a substitute for gasoline fuel.

A biodiesel facility is a plant or facility primarily engaged in the production of plant or animal based fuels used as a substitute for diesel fuel.

Name plate design capacity is the original designed capacity of an ethanol or biodiesel facility. Capacity may be specified as bushels of grain ground or gallons of ethanol or biodiesel produced a year.

Only ethanol or biodiesel produced at a plant in South Carolina where all fermentation, distillation, and dehydration takes place qualifies for any credit. No credit is allowed for ethanol or biodiesel produced or sold for use in the production of distilled spirits.

New Production Credit:

Beginning January 1, 2014, an ethanol or biodiesel facility may qualify for an income tax credit for new production of ethanol or biodiesel. The amount of the new production credit is 7½¢ for each gallon produced of ethanol or biodiesel, before denaturing. It can be claimed 36 consecutive months.

New production is production from a new facility, a facility that has not received credits before 2014, or an expansion of capacity of an existing facility. An expansion of an existing facility must be first placed into service after 2014, as certified by the design engineer of the facility to the Department of Revenue. An expansion must lead to an increase of 2,000,000 gallons or more. It must also exceed 12 times the monthly average of the three highest production months in the 24-month period immediately preceding certification for each year the credit is claimed.

The amount of any new production credit must be approved by the Department of Revenue based on production records that may be necessary to reasonably determine the level of new production.

No more than 10,000,000 gallons of ethanol or biodiesel produced during a 12-consecutive month period is eligible for the new production credit. A producer may claim a credit only for the periods specified.

An ethanol or biodiesel facility qualifying for a credit for a credit prior to 2014 may not qualify for a new production credit until its eligibility to receive a credit under subsection (A) or (C) of this section has been completed.

Social Security Privacy Act Disclosure

It is mandatory that you provide your social security number on this tax form if you are an individual taxpayer. 42 U.S.C 405(c)(2)(C)(i) permits a state to use an individual's social security number as means of identification in administration of any tax. SC Regulation 117-201 mandates that any person required to make a return to the SC Department of Revenue shall provide identifying numbers, as prescribed, for securing proper identification. Your social security number is used for identification purposes.

The Family Privacy Protection Act

Under the Family Privacy Protection Act, the collection of personal information from citizens by the Department of Revenue is limited to the information necessary for the Department to fulfill its statutory duties. In most instances, once this information is collected by the Department, it is protected by law from public disclosure. In those situations where public disclosure is not prohibited, the Family Privacy Protection Act prevents such information from being used by third parties for commercial solicitation purposes.