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TO: Representative Angela Stroud
Room 9 West, State Capitol

FROM: Noga Ardon and Sydney Tarnow

SUBJECT: Tax Incentives Provided to Biogas Refineries

At your request, this memorandum provides information on certain tax incentives specifically provided for biogas refineries or biodigesters in Wisconsin under current law.

## Background

Biodigesters are systems that anaerobically digest organic material, such as animal manure or crop and food waste. In general, the majority of biodigesters in Wisconsin are installed in municipal wastewater treatment facilities, dairy and agricultural farms, food processing and industrial waste facilities, and landfills. Biodigesters are most often installed to control odor, enhance renewable energy production, and increase income to a facility. Biodigesters produce biogas, a renewable form of energy created by breaking down organic matter. Biogas is a versatile energy source and can be combusted to provide heat and electricity, upgraded to pipeline quality, or further processed in vehicle fuel.

## Property Tax Exemption

2013 Act 20 created a property tax exemption for equipment which: (a) directly converts biomass into biogas or synthetic gas; (b) generates electricity, heat, or compressed natural gas exclusively from biogas or synthetic gas; (c) is used exclusively for the direct transfer or storage of biomass, biogas, or synthetic gas; and (d) any structure used exclusively to shelter or operate such equipment that is allocable to such use, if all such equipment, and any such structure, is located at the same site, and includes manure, substrate, and other feedstock collection and delivery systems, pumping and processing equipment, gasifiers and digester tanks, biogas and synthetic gas cleaning and compression equipment, fiber separation and drying equipment, and heat recovery equipment. Fiscal estimates at the time noted that the amount of property that became exempt under that provision was unknown. Such property tax exemptions typically result in a shift in taxes to properties that remain taxable.

**Sales Tax Exemptions**

Current law provides an exemption from the state sales and use tax for a product that has as its power source wind energy, direct radiant energy received from the sun, or gas generated from anaerobic digestion of animal manure and other agricultural waste (biogas), if the product produces at least 200 watts of alternating current or 600 British thermal units per day. The exemption also applies to the sale of electricity or energy produced by these products, but does not apply to an uninterruptible power source that is designed primarily for computers. In its 2025-27 Tax Exemption Devices publication, the Department of Revenue (DOR) estimates that this exemption resulted in $7.6 million in foregone sales and use tax revenue in 2023-24. Data reported by the U.S. Energy Information Administration suggest that Wisconsin generated 7.2 million megawatt hours of wind, solar, and other biomass energy in 2025, and that other biomass made up 6% of that total. Assuming biogas makes up a similar percentage of the sales tax exemption for products with alternative energy sources, it is estimated that the biogas portion of this exemption resulted in $0.5 million in foregone sales and use tax revenue in 2023-24.

Current law also provides a sales and use tax exemption for sales of biomass used for residential fuel. DOR estimates the fiscal effect of this exemption in 2023-24 to be minimal.

We hope that this information is helpful. Please contact us if you have questions.

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