

**Statement of Senator Mark Dayton  
Testifying before the  
Senate Finance Committee**

**Hearing on Tax Incentives for Vehicles and Alternative Fuels**

**July 11, 2001**

Mr. Chairman, Members of the Committee, thank you for the opportunity to testify before you today about tax incentives for alternative fuels. Minnesota is a leader in the production of renewable fuels such as ethanol, wind-generated electricity, biomass, and solar energy. Minnesotans have seen first-hand the vital role Federal and State tax incentives have played in developing these industries during their infancy, and I support legislation to extend and expand Federal tax incentives for ethanol, wind, biomass, and other renewable fuels.

*Last month, Senator Tim Hutchinson and I introduced legislation to provide tax incentives for increased use of biodiesel*, a renewable fuel made from soybean and other vegetable oils, that will reduce U.S. reliance on foreign oil; increase demand for farm products, thus boosting their market prices; and providing for a cleaner environment. It's a grand-slam home run!

*Biodiesel is a home-grown, renewable fuel.* Even as conventional fuel supplies are tightening, America's farmers are producing record crops of soybeans. Unfortunately, soybean prices are at 20 year lows. Building demand for biodiesel will help increase soybean prices while enhancing our nation's energy security.

*As we increase demand for soybeans, we are investing in the economic well-being of farmers and rural communities across the country.* Our legislation's goal is to expand markets for biodiesel from 20 million gallons to 200 million gallons annually. The U.S. Department of Agriculture estimates that such an increase in biodiesel sales will increase soybean prices by at least 25 cents per bushel.

*Our legislation will result in higher prices for farmers, lower taxpayer subsidies, and will cause no reduction in federal highway trust fund revenues.* Our bill provides federal excise tax credits of 3 cents per gallon for 2 percent biodiesel and 20 cents per gallon for 20 percent biodiesel to help make this infant industry cost-competitive. As demand for biodiesel increases and U.S. soybean prices rise, federal outlays under USDA's marketing assistance loan program will decline, resulting in substantial savings for American taxpayers. Our bill provides that a portion of those savings be used to reimburse the Federal Highway Trust Fund for any decrease in revenues.

*In conclusion, this legislation is good for America's farmers, our rural economy, our energy security and the environment.* I ask that you will incorporate it into any energy tax legislation reported out of this Committee.