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Hearing Statement of Senator Max Baucus (D-Mont.)
Regarding Tax Extenders and Tax Reform
As prepared for delivery

Benjamin Franklin once said, "In this world, nothing can be said to be certain, except death and taxes."

But today not even our taxes are certain. There are currently 132 expiring provisions in the code. That number has more than tripled since 1998. These policies, commonly-known as "tax extenders," expire every year or every two years.

The lack of certainty about these tax incentives is bad for American families, it's bad for businesses looking to create jobs and it's bad for our economy. It leaves businesses unable to plan ahead and invest, because year-to-year incentives are ineffective.

Many construction projects, for example, take at least five years to plan, finance and build. When Congress passes an investment tax credit for only one year, there's no guarantee for a town, city or developer to move forward with a five-year project. But when Congress provides businesses with long-term incentives that cover their entire business plans, businesses can invest with confidence and our economy can grow.

Take the small wind investment tax credit as an example. In 2008, Congress provided more than eight years of uninterrupted tax policy with this credit. The planning that Jenny Bryce of Belt, Montana has been able to do thanks to the long-term nature of this tax incentive has helped her business grow.

Jenny owns Pine Ridge Products, a 15 year-old company with about 800 thousand dollars of revenue per year. Pine Ridge manufactures, services and installs small wind turbines for farmers across Montana. A turbine installed by Pine Ridge costs about \$60,000 but has the ability to take a large farm entirely off the grid when the wind is blowing.

Sixty thousand dollars is a big capital investment for a farmer or rancher. That's why Congress passed the small wind investment tax credit in 2008. It covers 30 percent of buying and installing a small wind turbine.

The long-term nature of this credit has helped create an industry that includes more than 80 small wind companies and thousands of American manufacturing jobs. For Jenny Bryce and Pine Ridge, it has led to a sustainable business. But for other industries that rely on the tax code, the stop-and-start nature of year-by-year extenders has been disastrous.

The biodiesel industry relies on a tax credit to help them compete against diesel fuel from petroleum. Originally created in 2004, the credit has been extended three times. In 2010, the credit lapsed for almost the entire year. That devastated the industry.

More than 9,000 jobs were lost and 80 facilities shut down. Production dropped by more than 40 percent. The industry is now trying to cope with another lapse in the credit. Companies are laying off workers and reducing production.

This is unacceptable. We need to do better.

For businesses to succeed, Congress must provide a stable and certain tax code. And it is not just the biodiesel industry that is feeling the effect of the lapse in tax extenders.

Each year, the number of extenders grows. Extending last year's provisions would have cost 38 billion dollars. Once in the tax code, very few provisions expire completely; they are added to the list of extenders and the cost continues to grow.

We need to address these tax extenders to provide long-term certainty. And through tax reform, we should evaluate each and every extender and determine whether it should be allowed to expire or be made permanent.

We should either address each incentive's shortcomings and fix them, or we should let the incentive expire.

This process, however, will take time – time that our recovering economy doesn't have.

Each day that businesses do not know whether tax extenders will be in place this year means less American manufacturing, less production and fewer jobs.

In the meantime, we need to pass these tax incentives to help business-owners like Jenny Bryce in Belt, Montana create jobs.

So as we work to pass tax extenders through this year, let us also continue the hard work of tax reform. Let us consider whether we should retain these provisions, or whether we should use the money to lower tax rates.

And if we should retain them, let us consider how to reform them to get the most bang-for-the-buck, while making them permanent. And let us provide the certainty that our families, businesses and our economy need.

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