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BAUCUS TAX PACKAGE PROMOTES CLEAN ENERGY

Finance Chairman's mark of incentives also boosts alternative vehicles, biofuels, encourages energy savings and expanded refinery capacity

Washington, DC – Senate Finance Committee Chairman Max Baucus (D-Mont.) today unveiled a package of energy tax incentives slated for consideration by the full Committee. Baucus's five-point energy plan promotes the development of clean and green power, alternative vehicles and biofuels, and the responsible use of coal. It also encourages energy savings and expanded refinery capacity. Baucus said today that the Committee will consider, amend, and vote on the fully offset \$13.7 billion Chairman's Mark next Tuesday.

"We have to make a real turn toward sustainable energy policy in this country, and this package of tax provisions will help to chart the right course. I'm working with my colleagues to extend some provisions, such as the clean energy production tax credit, even further when the Finance Committee votes," said Baucus. **"This Chairman's Mark gives real incentives to produce and use brand-new energy technologies, and encourages better ways of making energy with the fuels we have today."**

The Baucus measure contains a new tax credit for the production of cellulosic ethanol. It also has new initiatives to promote wind energy, including a new residential tax credit, and incentives for manufacturing wind energy equipment and connecting rural wind facilities to the energy grid. Other new proposals include provisions to speed the development of plug-in hybrid vehicles, and provisions to increase the economic viability of capturing carbon from coal. Following is a summary of the mark's objectives and provisions. Additional details on provisions and costs in the bill can be found on Finance Committee website by clicking [here](#).

Promoting development of clean and green power:

- Extends for two years and modifies the clean energy production tax credit (Section 45) for renewable energy producers, providing a tax credit for every kilowatt hour added to the energy grid. Baucus intends to expand this extension through 2013.
- Accelerates depreciation for transmission lines connecting renewable energy facilities (such as wind farms) to the grid. Builders of transmission lines can write off 50 percent of equipment costs in the first year of use.
- Creates a new 30 percent investment tax credit for residential applications of wind energy, up to \$4000 per recipient

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- Extends through 2010 the 30 percent investment tax credit for residential solar projects (Section 25D), and increases the limit to as much as \$4000 per recipient
- Extends through 2010 the 30 percent investment tax credit (Section 48) for solar, fuel cells and 10 percent investment tax credit for microturbines

Promoting alternative vehicles and biofuels:

- Establishes a new tax credit starting at \$2500 for buyers of new plug-in hybrid vehicles
- Establishes a new tax credit for the production of cellulosic ethanol, offering \$1.11 for the first 60 million gallons of production per year up to one billion gallons for the duration of the incentive
- Extends through 2010 the \$1-per-gallon biodiesel credit (produced from soy, camelina, and other plant materials) to 2010, with no limit for a single facility's production
- Extends through 2010 the \$1-per-gallon renewable diesel (which may include materials such as chicken fat) credit, up to 60 million gallons per taxpayer
- Extends through 2012 the 30 percent credit (up to \$30,000) for installing E-85 alternative energy fueling stations that can service flex-fuel cars running on 85% ethanol fuel
- Extends through 2012 the small producers credit (those with annual capacity of 60 million gallons or less) for biodiesel and ethanol, which provides a 10 cent per gallon credit on the first 15 million gallons of production

Promoting the responsible use of abundant coal resources:

- Adds \$1.5 billion of tax credits to be awarded for new clean coal technology projects that will sequester at least 70% of carbon emissions
- Establishes Clean Coal Bonds to encourage clean coal efforts by co-ops, tribes, and municipalities
- Extends through 2010 the 50-cent alternative fuel excise tax credit

Encouraging energy savings:

- Extends through 2009 incentives for reducing energy costs in existing homes and increases standards for receiving the credit
- Extends through 2010 incentives for reducing energy costs in new homes and commercial buildings, and increases credit to \$2.25 per square foot in commercial buildings

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There are four offsets in the Chairman's mark. The first is a repeal of the manufacturing deduction for the major oil and gas companies' domestic manufacturing activities. As with other oil and gas incentives, the manufacturing deduction has been left intact for smaller independent domestic producers.

The second revenue raiser is a revision to the foreign tax credit rules as they apply to oil and gas activities. This proposal leaves intact the foreign tax credit so that U.S. companies are not subject to double tax on their foreign oil and gas income. By treating oil and gas exploration and production income the same way as downstream manufacturing income, the foreign tax credit rules are simplified and rationalized.

The third revenue raiser is a package of anti-fuel-fraud excise tax fraud proposals. This package of proposals continues the Finance Committee's efforts to reduce the tax gap in the fuel excise tax area.

The fourth revenue raiser extends the excise tax on oil which is dedicated to the oil spill trust fund. This trust fund is used to cleanup oil spills.

“It is critical for our country’s economic security and competitiveness to change direction on energy policy and make investments in renewable energy, energy efficient automobiles, carbon sequestration and cellulosic ethanol. And we must be fiscally responsible in finding new and better ways to fuel America and break our dependence on foreign oil,” said Baucus. **“The large oil companies are likely to see profits approaching a trillion dollars over the next ten years, and so we divert less than one percent of their profits to America’s energy security.”**

Click [here](#) to view a detailed summary and full text of the Chairman's Mark on the Finance Committee website. The Committee markup is set for 10:00 a.m. on Tuesday, June 19 in the Finance Committee hearing room.

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