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FINANCE COMMITTEE SENDS ENERGY TAX PACKAGE TO FULL SENATE

Baucus-led package includes incentives for renewable fuels, alternative vehicles

Washington, DC – By a vote of 15-5, the Senate Finance Committee today approved an updated package of energy tax incentives for consideration by the full Senate. Finance Committee Chairman Max Baucus (D-Mont.) expects to offer the Committee product today as an amendment to the energy bill currently on the Senate floor. The final package advances the development of renewable energy and a more advanced electricity infrastructure, incentives to mitigate carbon emissions, promotes security of our domestic fuel supply, supports the use of alternative vehicles, and encourages energy savings and efficiency. Its \$32.1 billion cost is fully offset, in part by changes to tax laws concerning major oil and gas companies. Baucus developed the final package in close consultation with Finance Ranking Republican Member Chuck Grassley (R-Iowa) and Energy Subcommittee Chairman Jeff Bingaman, who also leads the Senate Energy Committee.

“These tax incentives blaze a trail toward new energy solutions for tomorrow, and require more responsible use of the energy resources we rely on today,” said Baucus. **“The Finance Committee is sending a forward-focused, fiscally responsible tax package to the full Senate. This combination of incentives and offsets provide a new and proper balance to our tax code’s treatment of energy issues. With the right emphasis on renewable fuels and alternative energy, we can turn the corner toward energy independence for our country.”**

A detailed summary of the mark as approved will be available late this afternoon on the Finance Committee website, dated today, and can be accessed when posted by [clicking here](#). General elements of the Finance Committee product are as follows:

To advance the development of renewable electricity and advanced electricity infrastructure, the package has a five-year extension of the clean energy production tax credit, establishes new tax credits to encourage sequestration of carbon emissions from coal projects, extends tax incentives for solar, wind, and microturbine energy projects, and rewards efforts to connect renewable energy to the grid. Tax credits to encourage the capture and storage of carbon from coal projects will help to further reduce carbon emissions.

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To promote the domestic production of alternative fuels, the package has a new production tax credit to encourage development of cellulosic alcohol fuel, and extensions of additional tax credits for the production of ethanol and biodiesel – particularly by small producers. Tax incentives for extracting oil from marginal domestic wells, for increasing refinery capacity, or for refining more fuel from non-conventional resources such as oil shale and tar sands are extended as well.

To support the use of alternative fuel vehicles, the proposal extends tax credits for consumers who buy alternative vehicles, with a new credit for plug-in hybrid purchases and for the purchase of equipment to convert a standard hybrid vehicle to a plug-in.

To encourage further energy savings and efficiency, the bill extends tax credits for reducing energy costs in existing homes, and for reducing energy costs in new homes and commercial buildings. It also extends and improves tax credits for energy-efficient appliances.

Additional provisions in the final Committee product include studies to determine the usefulness of various energy tax incentives, a one-year tax deduction for some timber sales, refunds of improperly collected coal excise taxes, and provisions to benefit rural schools and communities.

There are several offsets in the final tax package, including 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. Other revenue raisers include a severance tax on the removal price of any taxable crude oil or natural gas produced from leased Federal lands in the Gulf of Mexico, simplifications to foreign tax credit rules for oil and gas activities, anti-fuel-fraud excise tax provisions, and an extension of the excise tax on oil which is dedicated to the trust fund used to cleanup oil spills.

“Paying as we go is a tough task, but Senator Grassley and I have developed offsets that are fair and economically sound,” said Baucus. **“These offsets make sensible improvements to the tax code, close loopholes, and reduce fuel fraud. And contrary to some criticisms, they should not reduce oil companies’ incentives to produce energy.”**

The Senate is expected to complete work on comprehensive energy legislation this week.

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