

Sen. Baucus and members of the Senate Finance Committee:

Thank you for drafting legislation designed to end the conventional paper industry's abuse of the tax credit loophole in the SAFETEA-LU 2005 transportation bill.

As a taxpayer, and as a supporter of the true purpose of the alternative-fuels tax credit, I strongly oppose the paper companies' ability to siphon off my tax dollars to support an increase in their consumption of fossil fuel, in contravention of the tax credit's intention.

The alternative fuels clause of SAFETEA-LU was intended to increase the use of biofuels in cars and trucks, not increase the use of fossil fuels by already dirty industries.

When paper companies add a small amount of diesel fuel to each gallon of the biomass-based black-liquor fuel they were already consuming, and then apply to the IRS to claim their multimillion dollar tax credit as an "alternative fuel mixer," we all lose. The government loses millions of dollars in taxpayer revenue that should be supporting clean-energy solutions, taxpayers lose confidence in their government's ability to spend responsibly, and our environment suffers most of all, with fossil-fuel-generated pollution increasing – rather than decreasing – with each dollar spent.

What is more, the most environmentally responsible paper producers, which are critical to developing a green jobs economy, are being put at severe disadvantage because they are too clean to produce black liquor and game the system to receive a tax-credit payout. As a result, these massive tax-credit payouts adversely bias the free market to favor the most polluting and least efficient mills in America.

The exploitation of this loophole by paper companies clearly violates the intention of the original legislation and costs taxpayers billions of dollars. I fully support the draft legislation put forward to close this loophole, and consider it critical that Congress take swift action.

I work at a papermill where our very existence is threatened by this loophole. Our Snowflake, Arizona paper mill, has over the last 35 years, invested millions of dollars to become more environmentally friendly. Our huge pulp mill was shut down and we became a 100% recycle mill. We use our effluent water to irrigate a biomass farm---we have onsite a biomass boiler which produces green power from forest waste. Now we are at a competitive disadvantage because of this loophole and we are in danger of being shut down because we cannot produce paper as cheaply as the mills who are receiving huge refund checks for doing what they have done for decades. We have tried to adapt to the changing world. Remember the spotted owl?-- the dioxin scares from kraft bleach plants?-- now these mills (kraft mills) are being rewarded for polluting. Please return us to a level playing field.

Thank you for your immediate attention to this issue.

Sincerely,

Jeff Lydolph