



U.S. SENATE COMMITTEE ON

# Finance

SENATOR CHUCK GRASSLEY, OF IOWA - CHAIRMAN

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For Immediate Release

Sunday, Nov. 16, 2003

## Congress Reaches Agreement on Broad-Based Energy Tax Package Grassley Continues Leadership on Renewable Energy, Big Gains for Iowa

WASHINGTON – Sen. Chuck Grassley, chairman of the Committee on Finance, today called a new agreement on broad renewable energy tax incentives a victory for Iowa’s economy and the nation’s green energy supplies.

“It makes sense to use the tax code to develop alternative energy,” Grassley said. “Cutting taxes is an effective way to encourage positive, environmentally conscious ways to produce electricity and fuel. This is a good, green energy tax package.”

Grassley, as the lead Senate negotiator on the energy tax package, worked to include several longstanding priorities in the bill, including:

An extension of the wind energy production tax credit until Jan. 1, 2007. Grassley authored the *Wind Energy Incentives Act of 1993*, which established the first-ever wind energy production tax credit.

An income tax credit and excise credit for biodiesel fuel mixtures. These new incentives would encourage the production of biodiesel, a clean-burning alternative fuel made from domestic renewable sources, such as soybean oil. The tax credit applies to biodiesel made from vegetable oil, animal fats, recycled oils, and other greases.

An extension of the tax credit for the production of electricity from biomass, organic material from plants. The credit first became law in 1992. This bill expands the definition of biomass to include saw dust, tree trimmings, and agricultural byproducts.

An expansion of the definition of an eligible small ethanol producer so small cooperative producers of ethanol will receive the same tax benefits as large companies. It also clarifies that the tax credit can flow through to the patrons of the cooperatives.

Encouragement of the manufacture and use of super energy-efficient washing machines and refrigerators with a tax credit for the production of those appliances.

New opportunities for energy production, a useful method of waste disposal and increased farm income by creating a production tax credit for electricity generated from agricultural animal waste.

Tax incentives aimed at improving the energy efficiency of homes.

A tax credit for the purchase of alternative motor vehicles, including electric cars, and an extension of the deduction for alternative vehicles, including hydrogen fuel-cell cars.

In addition, the *Volumetric Ethanol Excise Tax Credit Act of 2003* would become law effective Jan. 1, 2004. This proposal substantially overhauls the fuel excise tax system by ensuring that every gallon of gasoline or gasoline blended with ethanol contributes a full 18.4 cents to the Highway Trust Fund. These initial steps begin restructuring tax incentives for ethanol so ethanol use would contribute to the Highway Trust Fund instead of unrelated government programs.

“Investing in alternative forms of clean-burning energy is good for the environment, good for national security and energy independence, good for job creation and economic development, and good for taxpayers,” Grassley said. “I look forward to final approval of these bipartisan alternative energy tax incentives.”