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Grassley Scores Major Victories in Energy Tax Bill

WASHINGTON -- Key alternative energy production tax incentives from Sen. Chuck Grassley, ranking member of the Committee on Finance, passed today as part of a comprehensive energy policy bill.

“It makes sense to use the tax code to develop alternative energy,” Grassley said. “Cutting taxes is an effective incentive to encourage positive, environmentally conscious ways to produce electricity. I’m glad to work with Senate leaders to advance a good, green energy package.”

In February, the Finance Committee on a voice vote passed an energy tax incentives package put together by Grassley and Sen. Max Baucus, committee chairman. This week, Senate leaders agreed to accept the tax package as an amendment to the energy policy bill after negotiations with Grassley and Baucus. Today, the full Senate approved the energy tax package as part of the broader energy bill. Next, the Senate-passed and House-passed energy bills will go to a conference committee, where members will reconcile differences between the two bills.

The tax package includes numerous alternative energy tax incentives that Grassley has championed for years, such as:

- ▶ Wind energy. The package includes Grassley’s pending legislation, the *Bipartisan Renewable, Efficient Energy with Zero Effluent (BREEZE) Act* (S. 530), to extend the production tax credit for energy generated by wind through Dec. 31, 2006. Grassley authored the *Wind Energy Incentives Act of 1993*, which established the first-ever wind energy production tax credit.
- ▶ Biomass. The package includes Grassley’s bill, the *Growing Renewable Energy for Emerging Needs (GREEN) Act* (S. 756), which extends the tax credit for the production of biomass, which Grassley authored and which became law in 1992, and expands the definition of biomass to include saw dust, tree trimmings, agricultural byproducts and untreated construction debris. Also included is the extension of the tax credit for the production of electricity from poultry waste and closed loop biomass co-fired with coal, including an important Iowa switch grass project.
- ▶ Biodiesel. The package includes a proposal from Grassley and Democratic Sen. Blanche Lincoln, with support from non-committee members Republican Sen. Tim Hutchinson and Democratic Sen. Mark Dayton, to provide an income tax credit and excise tax rate reduction for biodiesel fuel mixtures. These new incentives will encourage the production of biodiesel,

a clean-burning alternative fuel made from domestic renewable sources, such as soybean oil. A Grassley-Baucus amendment expanded the income tax credit to biodiesel made from vegetable oil and animal fats.

Grassley noted that Iowa is the nation's largest producer of soybeans and is home to two biodiesel plants. "Our vegetable oils are plentiful, and our energy needs are great," Grassley said. "Biodiesel is an environmentally sound way to fill the gap between energy supply and demand."

- ▶ Small ethanol producer credit. The legislation expands 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. Grassley's legislation, the *Tax Empowerment and Relief for Farmers and Fishermen Act* (TERFF) (S. 312), includes these provisions.

Grassley has a long history of promoting ethanol as a clean-burning, renewable, domestically produced energy source. He scored a major victory for the Midwest when he not only blocked anti-ethanol efforts, but also countered by orchestrating congressional approval to extend the ethanol excise tax exemption to 2007.

- ▶ Fuel taxes. The bill moves a portion of the taxes from gasohol – gasoline blended with ethanol – from the general fund into the Highway Trust Fund to ensure that fuel taxes are used for highways, not unrelated government programs. Grassley and Baucus agreed on this issue after an energy hearing last July.
- ▶ Energy-efficient appliances. The package includes legislation Grassley originally authored and co-sponsored in this Congress, the *Resource Efficient Appliance Incentives Act* (S. 686), to encourage the manufacture and use of super energy-efficient washing machines and refrigerators with a tax credit for the production of those appliances.
- ▶ Swine and bovine waste. The package includes Grassley's legislation, the *Providing Opportunities With Effluent Renewables (POWER) Act of 2001* (S. 1219), which provides 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 swine and bovine waste.
- ▶ A new renewable fuels standard. Grassley worked with Sen. Chuck Hagel of Nebraska to help win support for a renewable fuels standard that has become part of the comprehensive energy bill. The standard calls for using 5 billion gallons of renewable fuels by 2010.
- ▶ Government use of ethanol and biodiesel. The package includes a bipartisan amendment sponsored by Grassley and Dayton of Minnesota that requires the federal government to increase the use of ethanol and biodiesel fuels in its vehicles. The requirement will help the government lead by example in using renewable fuels.

"There are few issues more important right now than America's energy needs and the need to reduce our dangerous dependence on foreign oil and expand our use of alternative sources of energy," Grassley said. "Ethanol is a particularly good alternative because ethanol can make an immediate difference for national security. We can start using more ethanol tomorrow and ramp-up quickly. It can have an impact this year and next year rather than five or ten years down the road."

