



U.S. SENATE COMMITTEE ON

Finance

SENATOR CHUCK GRASSLEY, OF IOWA - CHAIRMAN

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Statement of Senator Chuck Grassley
Finance Committee Markup of Energy Tax Incentives
Wednesday, April 2, 2003

Today we meet to mark up this important energy and conservation tax relief legislation. I am pleased that today we offer a bipartisan energy tax incentives package for the 108th Congress. I'd like to note, with some satisfaction, that today we are doing the people's business the way they want us to do business. We are going to act in a bipartisan way on an important initiative in a way that reflects the diversity of our views and the diversity of our nation. In this wartime climate, this is what the people want. What a relief to be acting in a way that is not partisan and rancorous. The Finance Committee has a distinct history in the area of energy-related tax policy. Almost one decade ago, this committee put its imprint on comprehensive energy-related tax policy. Then, as now, the bill the committee produced strikes a balance between conventional energy sources, alternative energy, and conservation. I'd like to thank you, our ranking member Max Baucus, for all of our ongoing conferences, and we have tried to consult every member of this committee on their priorities.

As we move through this mark up process of the *Energy Tax Incentives Act of 2003*, I would like to remind our members to fully respect the committee's independence and tradition. Specifically, our committee product should be considered as a free-standing amendment. This bipartisan, consensus product should be debated on its own when the basic energy bill comes to the floor.

Now, I'd like to turn to some specific provisions in the chairman's mark. First and foremost, we have an extension and expansion of the production credit for wind energy. Back in 1992, I was the first to offer this proposal to the Senate. I was pleased to work with the majority leader and others to include this provision in the Internal Revenue Code. Now, we have an important expansion of this production credit to cover biomass, including agricultural waste nutrients, geothermal wells and solar energy. As the President has wisely said, as a matter of national security, we need to reduce our dependence on foreign oil. That means all domestic energy sources, green and otherwise, are fair game. Along those lines, we have a new tax credit for biodiesel fuels that will be included in this bill.

I'm pleased that Senator Lincoln, along with Senators Baucus, myself and several of our fellow committee members have advanced this new tax credit. This is good news for farmers in our states, consumers, and the environment.

Let me point out that the chairman's mark contains provisions that enhance the tax incentives for ethanol production. Ethanol is a clean-burning fuel that will be continue to be a key element in our transportation fuels policy. Today we will consider a tripartisan proposal offered by myself as

chairman and Max Baucus as ranking member of the Finance Committee, our minority leader Tom Daschle, Jim Jeffords the ranking member of EPW, to reshape the ethanol excise tax exemption so that ethanol-blended fuels make the same contribution to the highway trust fund as regular gasoline while also retaining an important incentive to promote the use of domestic, renewable fuels.

It makes common sense for ethanol taxes to contribute just as much to building highways as traditional gasoline taxes. It isn't logical for a smaller portion of ethanol taxes to contribute to highways than the taxes from traditional gasoline. All types of vehicle fuel taxes should contribute equally to highway construction and maintenance. Our highway needs are great. Our dependence on imported fuel should decrease. This restructuring of ethanol excise taxes contributes to both of those priorities. At the same time, it preserves all incentives to use the clean-burning, renewable, domestically produced ethanol, the fuel of the future. Renewable fuels like ethanol and biodiesel will improve air quality, strengthen national security, reduce the trade deficit, decrease dependence on Saddam Hussein for oil, and expand markets for agricultural products. There are a number of other very good proposals in the chairman's mark, and I will not go into them now.

I also want to briefly talk about offsets. I'm pleased that, at this stage, we have not offset the revenue loss in the chairman's mark. We have worked together in a bipartisan fashion to try to limit the mark to the amount allocated in the budget proposal. This decision was seen as a constructive gesture by many on my side of the aisle. It is also good that the committee members agreed to stay within reasonable bounds in terms of the overall revenue loss in the modified mark, which we have chosen to fully offset. Like all of you, I do not want the good policy in this bill brought down on a budget act point of order. So, to sum up, we are doing what we should do. We are responding to a national priority, energy security, in a balanced and comprehensive way.