

United States Senate Committee on Finance

For Immediate Release

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Grassley, Baucus Introduce Bill to Extend, Expand Alternative Energy Tax Breaks

WASHINGTON -- Sen. Chuck Grassley, chairman of the Committee on Finance, and Sen. Max Baucus, ranking member, have introduced legislation to extend popular alternative energy tax incentives – such as the wind energy tax credit – for another three years and expand other alternative energy tax breaks.

“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. We’ve seen production take off and consumer demand increase for alternative energy. We need to keep the momentum going.”

Baucus said, “The clean energy incentives in the 2005 energy bill are either too short-lived or capped at insufficient levels, and we simply need to do more to encourage investment and clean energy use. Extending these tax incentives will help until research provides more dramatic breakthroughs for our energy independence.”

Grassley and Baucus this week introduced the *Alternative Energy Extender Act*, S. 2401, which extends a number of tax provisions enacted via the 2005 energy bill. The senators want to make sure there is no lapse in the availability of these tax benefits, since many of the energy production operations require long-term planning. Areas such as acquiring permits, getting the appropriate guidance from the Treasury Department, and building infrastructure can be time-consuming. The Grassley-Baucus legislation includes provisions also included in Baucus’ recently introduced *Energy Competitiveness Act of 2006*. The Grassley-Baucus *Alternative Energy Extender Act* includes:

Production Tax Credit: Extends the renewable electricity production credit for three years for the following qualified facilities: wind, hydropower, closed-loop biomass, open-loop biomass, geothermal, small irrigation power, landfill gas, and trash combustion. The *Energy Policy Act of 2005* provided parity in duration of the credit (10 years) for all qualifying sources of energy. In addition, it allowed pass through of the credit to members of a cooperative. Expires after December 31, 2010. Grassley authored the *Wind Energy Incentives Act of 1993*, which established the first-ever wind energy production tax credit, and has won extensions of it ever since.

Clean Renewable Energy Bonds: Authorizes the issuance of an additional \$800 million of tax-credit bonds per year following the termination of the initial 3-year \$800 million allocation enacted in the *Energy Policy Act of 2005* to support renewable investment by municipal power authorities, rural cooperatives and tribes.

Biodiesel and Alternative Fuel Excise Tax Credit: Extends the biodiesel excise and

income tax credit for biodiesel, biodiesel mixtures, and renewable diesel. It also extends the alternative fuel excise tax credit for liquefied natural gas, compressed natural gas, liquid hydrogen, Fischer-Tropsch diesel, and other alternative fuels. Expires after December 31, 2010.

Clean Coal: Adds \$1 billion to tax credits for investments in clean coal facilities. The *Energy Policy Act of 2005* established: (1) a 20 percent credit for industrial gasification projects, (2) a 20 percent credit for integrated gasification combined cycle (IGCC) projects, and (3) a 15 percent credit for other advanced coal-based projects that produce electricity. This bill adds \$500 million to IGCC projects and \$500 million to industrial gasification projects.

Refinery Expensing: Allows 50 percent expensing of the cost of refinery investments which increase the capacity of an existing refinery by at least 5 percent through 2012 and for refineries which increase the throughput of qualified fuels by at least 25 percent permanently.

Commercial Building Deduction: Extends a deduction established in the *Energy Policy Act of 2005* for energy efficient commercial buildings meeting a 50 percent energy reduction standard. The maximum deduction is \$1.80 per square foot of the building. Expires after December 31, 2010.

Energy Efficient New Homes: Extends a business tax credit, up to \$2,000, created in the *Energy Policy Act of 2005* for the builder of a new energy efficient homes meeting a 50 percent reduction standard. Expires after December 31, 2010.

Residential Solar Tax Credit: Extends a 30-percent tax credit, created in the *Energy Policy Act of 2005*, for the purchase of residential solar water heating, photovoltaic equipment, and fuel cell property. The maximum credit is \$2,000 (for solar equipment) and \$500 for each kilowatt of capacity (for fuel cells). Expires after December 31, 2010.

Business Solar Tax Credit: Extends a 30-percent business credit, established in the *Energy Policy Act of 2005*, for solar energy property and fiber-optic property used to illuminate the inside of a structure. Expires after December 31, 2010.

Fuel Cell and Microturbine Tax Credit: Extends two credits established in the *Energy Policy Act of 2005*, a 30-percent business tax credit for the purchase of fuel cell power plants and a 10-percent credit for the purchase of stationary microturbine power plants. Expires after December 31, 2010.

Credit for Refueling Property: Extends for one-year a 30 percent tax credit, enacted in the *Energy Policy Act of 2005*, for the cost of installing clean-fuel vehicle refueling property. Clean fuels include ethanol, hydrogen, and mixtures of diesel fuel and 20 percent or more biodiesel. Expires after December 31, 2010.

Earlier this month, Grassley and Baucus introduced legislation to significantly increase tax incentives for business owners who buy fuel-efficient alternative energy vehicles. The bill would make certain that businesses receive tax benefits for buying more efficient, cleaner alternative energy vehicles just as they now receive for the purchase of sport utility vehicles (SUVs).

