

## Ethanol Tax Reform and Deficit Reduction Plan

**SUMMARY:** The goal of this proposal is to transition to a more sustainable model of support for renewable fuel production in America. It is focused on reducing the deficit and facilitating market demand by removing existing barriers to consumer choice. This proposal would end the existing \$.45/gal VEETC on July 1, 2011 (currently set to expire at end of 2011), which would make available approximately \$2.5 billion in revenue. The proposal would dedicate \$1 billion to deficit reduction and \$1.5 billion to ethanol infrastructure, a variable safeguard tied to the price of oil, and cellulosic ethanol incentives over the next few years.

PROSAL	10-Year Score
End VEETC July 1, 2011	+ \$2.5 B
Variable Credit Safeguard	- \$300 M
Blender Pumps	- \$600 M
Small Producer Credit	- \$300 M
Cellulosic Biofuels	- \$300 M
<b>Deficit Reduction</b>	<b>+ \$1.0 B</b>

### Variable Credit Safeguard

- Create a variable safeguard to protect against drops in the oil market by designing a variable blender's credit that would only be triggered if oil fell below \$90 per barrel. The credit would be structured as below in 2011, with all credit rates decreasing by 2 cents/gallon in each subsequent year. This safeguard would expire at the end of 2014.

Price of Oil	Value of VEETC
\$90 +	0 cents/gal
\$80-\$90	6 cents/gal
\$70-\$80	12 cents/gal
\$60-\$70	18 cents/gal
\$50-\$60	24 cents/gal
\$50 - \$1	30 cents/gal

### Blender Pump Investment Tax Incentive

- Expand existing alternative fuel station tax credit to include blender pumps and extend the credit through 2016 or until the Secretary of Treasury has certified 53,000 blender pumps nationwide, whichever occurs first; modify the tax credit to allow for ethanol blends between E15 and E85; and clarify that entire cost of dual-use blender pump qualifies for the credit rather than the incremental cost.
- Description: A taxpayer may take a 30% credit for the installation of alternative fuel infrastructure, up to \$30,000, including E85 (85% ethanol and 15% gasoline) infrastructure. This credit is currently scheduled to expire on December 31, 2011.

### Small Producer Ethanol Credit

- Extend through 2014 the small producer ethanol credit. This credit is currently scheduled to expire December 31, 2011. The small ethanol producer credit is valued at 10 cents per gallon of ethanol produced. The credit may be claimed on the first 15 million gallons of ethanol produced by a small producer in a given year. It applies to any ethanol producer with production capacity below 60 million gallons per year

### Credit for Production of Cellulosic Biofuel and Special Depreciation Allowance for Cellulosic Biofuel Plants

- Extend through 2014 the existing \$1.01 per gallon tax credit for cellulosic biofuels (schedule to expire December 31, 2012)
- Extend through 2014 the 50% accelerated depreciation for new cellulosic biofuel plant property (scheduled to expire December 31, 2012)