April 15, 2013

Energy Tax Reform Working Group
Waste Management Testimony

Waste Management respectfully submits the following statement in response to the U.S. House of Representatives' Ways & Means Committee's request for information on tax reform. We thank Chairman Camp and Ranking Member Levin for creating these working groups to provide an opportunity for businesses and individuals to present their views on specific tax issues and for their willingness to tackle comprehensive tax reform. We also thank Congressmen Brady and Thompson for participating in the energy-working group.

Waste Management is the largest environmental solutions provider in North America with approximately 44,000 employees located in the United States and Canada. We create enough renewable energy to power nearly 1.2 million homes every year, manage 14 million tons of recyclables, and operate more than 2000 natural gas collection vehicles. We appreciate the opportunity to provide our views on both comprehensive tax reform and on more targeted incentives for renewable and alternative energy deployment.

Use of the tax code to incentivize use of domestic energy assets:

Tax expenditures provided to incentivize renewable energy and alternative fuels have accelerated our company's production of renewable energy and our deployment of natural gas vehicles. In 2012, we produced as much renewable energy as the entire US solar industry, and we are currently the largest heavy-duty natural gas fueled fleet in America. Use of alternative fuels and production of renewable energy increases the nation's energy security and diversity while improving the environment.

The tax code has been an integral part of energy policy in our country since the early 1900's -- helping to accelerate the nation's oil and natural gas production and then expanding into production of renewable energy and transportation fuels.

While Congress continues to evaluate national energy policy, the tax code has played a major role in expanding domestic energy production and accelerating clean energy deployment.

If the Congress chooses again to use the tax code to accelerate specific renewable energy and alternative fuel options, we make the following recommendations:

First, Congress should develop a renewable energy incentive program that:

- Provides certainty;
- Has technology neutrality (i.e., does not pick winners and losers) and is based in parity in incentive value;
- Focuses on producing renewable versions to replace or augment exiting non-renewable energy products (including energy products we use today such as electricity, gasoline diesel, oil, coal, ethanol and natural gas);
- Supports a wide range of renewable feedstocks, including but not limited to municipal solid waste, biogases, construction and demolition waste and discarded wood residuals;
- Provides both production tax credit (based on the output of renewable energy measured in British Thermal Units (Btu's)) and investment tax credit options.

Second, Congress should focus on means to surmount the barrier of the high incremental cost of beginning to deploy natural gas vehicles and fueling infrastructure. The high costs of new or converted vehicles and infrastructure creation represent large capital expenditures in fleet transformation – especially for the heavy-duty vehicle market. Using tax mechanisms to incentivize deployment of natural gas fleet and fueling infrastructure will allow the nation to capitalize on its plentiful domestic resource of clean-burning natural gas.

More comprehensive tax reform

The United States has one of the highest marginal corporate tax rates in the world. Lowering corporate tax rates could help American companies be more competitive and spur economic growth within our borders. Current broadly applicable business deductions can help companies focus on investing in energy (including renewable energy) production and deployment, new equipment and new facilities. We support the following:

- Lowering the corporate tax rate to a level more commensurate with other nations, twenty-five instead of the current thirty-five percent rate;

- Continuing deductions for ordinary and necessary ("regular") business expenses, and continuing all existing depreciation methods, including

    - Deductions for medical premiums and costs,

    - Deductions for interest expense,

- Modified Accelerated Cost Recovery System (MACRS) and bonus depreciation deductions.

WM appreciates the opportunity to provide comments and strongly supports the committee's efforts to develop a comprehensive tax reform package that will lower the corporate tax rate and spur economic growth. We also support the committee's active engagement with the Senate with the goal of reaching agreement on a final comprehensive tax reform package.

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