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**STATEMENT OF THE COALITION FOR E85
SUBMITTED TO
THE COMMITTEE ON WAYS AND MEANS, SUBCOMMITTEE
ON SELECT REVENUE MEASURES**

April 26, 2012

On behalf of the COALITION FOR E85, a broad based group of retail gasoline stations, petroleum marketers, and ethanol advocates, we would like to thank you for the opportunity to provide comments regarding the important issue of tax extenders. We appreciate your leadership in undertaking to review the value of each of the expired tax credits to ensure that they are providing positive outcome for the U.S. economy.

We would like to bring to your attention the Alternative Fuel Tax Credit found at Internal Revenue Code (Code) section 6426(d)(2). This credit was initially established to provide a financial incentive to retailers of compressed natural gas, propane and hydrogen when these products are used as alternative transportation fuels. Eighty-five percent ethanol, (E85), is not included in the definitions of allowable alternative fuels pursuant to this section of the Code.

E85 is the nation's most widely adopted alternative fuel. It is derived from ethanol, but it is NOT a fuel additive like E10. In fact, the Energy Policy Act of 1992 specifically defined E85 as an alternative fuel¹, but for purposes of the Internal Revenue Code, E85 does not qualify for the Alternative Fuel Credit (Section 6426(d)). This exclusion ensured that there would be no instance when ethanol would receive BOTH the Volumetric Ethanol Excise Tax Credit (VEETC) and the Alternative Fuel Credit.

Now that the Volumetric Ethanol Tax Credit has expired with no effort being made to reinstate, we ask that you consider extending the Alternative Fuel Tax Credit found at section 6426(d)(2) and including 85% ethanol as an eligible fuel.

With strong encouragement from several administrations, more than 2,500 retailers have invested millions of dollars in establishing infrastructure to dispense such fuel. Additionally, automakers General Motors, Ford, and Chrysler are producing 50% of their Model Year 2012 production as E85 Flexible Fuel Vehicles. More than 9 million FFVs are currently on the nation's highways representing 97% of the entire national fleet of alternative fuel vehicles.

¹ Title III, § 301 of the Energy Policy Act of 1992.

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Absent the short-term price break that a tax credit provides, we believe that the 2,500 stations equipped to sell E85 and future cellulosic bio-fuel will begin to disappear, heading the supply chain in the opposite direction from what is needed for this alternative fuel to stand on its own without government intervention.

Protecting the millions invested in E85 infrastructure – and making the Energy Policy Act of 1992 consistent with the IRC – requires two steps. First, and most important, the Code §6426(d)(2) needs to be amended to include E85 as an alternative fuel, similar to compressed natural gas, propane, and hydrogen. This is not new policy; it requires amending the Code so E85 is considered an alternative fuel according to both statutes. Second, the Alternative Fuel Credit needs to be extended.

Based on 2011 E85 sales, these changes would cost approximately \$54 million annually, as opposed to the expired VEETC ethanol subsidy, which cost \$6.3 billion annually. In other words, fixing the E85 tax credit can be accomplished for less than 1 percent of the cost of the entire ethanol subsidy, while ensuring that the significant infrastructure investments continue to be made while protecting the small businesses that have made investments to date.

We are cognizant that the Committee generally prefers to maintain a clean tax extenders bill. “Clean” meaning either extend or don’t extend, with no changes to the text. In this case, however, you will already be amending section 6426 to remove VEETC (subsection b) and we simply ask that E85 be included at another part of 6426 (subsection d).

As the Subcommittee on Select Revenue Measures provides recommendations to the House Ways and Means Committee, we encourage you to including the extension of the Alternative Fuel Tax Credit and the inclusion of E85 as a form of alternative transportation fuel.

Thank you for your close review of this important matter.

COALITION FOR E85

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