

Congressman Earl Blumenauer

Testimony for the Record on Expiring Tax Provisions

Subcommittee on Select Revenue Measures

Committee on Ways and Means

May 7, 2012

Thank you Chairman Tiberi, Ranking Member Neal, and members of the Subcommittee for the opportunity to testify about the tax provisions that either have or will expire in the near future. As our committee evaluates tax provisions that either expired in 2011 or will expire in 2012, I write to emphasize both my support for comprehensive tax reform and my concern that care be exercised in the evaluation of temporary and other tax provisions. Some extenders reflect successful approaches to challenging problems in our communities, while others represent important tools to promote job creation, innovation, and economic growth.

The following written testimony expands on my remarks at your subcommittee on April 26. In addition, I am also including a letter signed by many of my Democratic colleagues calling for the extension of the production tax credit as soon as practicable.

In my verbal testimony, I emphasized that the extension of the production tax credit under section 45 of the tax code is firmly in the national interest and a vital component of America's future competitiveness. Many other tax extenders also play a key role in strengthening our communities, building opportunities, and creating jobs. While certain tax provisions may be unnecessary and deserve elimination, in other cases outright elimination is not the appropriate response for our committee. Instead, we should build on provisions that are working and reform provisions that are failing to achieve the outcomes we have set for them. For that reason, I have not included a comprehensive list in my testimony, but I would emphasize the value of the following provisions. I look forward to working with the Committee as we review the tax code in advance of the significant challenges we face by the end of the year and as we embark on comprehensive reform of our tax code.

Extension of the Production Tax Credit, HR 3307

The production tax credit under section 45 of the tax code, first enacted in 1992 and extended seven times under both Republican and Democratic congresses, enjoys broad support across the country and across the political spectrum. HR 3307, introduced by Mr. Reichert and myself, and supported by many cosponsors on our committee and on both sides of the aisle, supports multiple technologies, such as wind, biomass, and geothermal, each contributing to a more resilient and cleaner energy mix.

Our committee should continue evaluating these incentives and updating them to reflect industry innovations, new technologies, and an improved understanding of these resources. For instance, our committee could consider the most efficient mechanism to support the development of offshore renewable resources such as marine energy and offshore wind, or in meeting the longer development horizon of geothermal energy.

A strong renewable energy sector strengthens our energy security, insulates our businesses and consumers from price fluctuations, and protects our environment. We spend hundreds of billions of dollars abroad each year to fuel our economy. The production tax credit is a better investment, helping us unlock a nearly unlimited source of domestic energy while driving investment in a market projected to grow to more than \$2 trillion by 2020. The uncertainty caused by the looming expiration of the credit is already hampering future industry growth. Given our expanding but still fragile economy, now is not the time to undermine these substantial public and private investments.

Railroad track maintenance credit, HR 721

Together with my colleague Congresswoman Lynn Jenkins, I introduced the Short Line Railroad Rehabilitation and Investment Act of 2011. It currently has 252 cosponsors spanning party and ideological lines. The bill extends the tax credit available for short line railroad track maintenance under section 45G. During the past eight years this credit has had extremely strong Congressional support, which is consistent with the industry's success in redeveloping abandoned track and track spurs and in building successful small companies that provide shipping options across the country.

There are now more than 550 short line railroads connecting over 10,000 rail customers to the national main line rail network while preserving nearly 50,000 miles of track that otherwise would have been abandoned by the large Class I railroads. Often these track miles received little investment by its previous Class I owners and must be upgraded and maintained. These freight rail connections are critical to preserving the first and last mile of connectivity to factories, grain elevators, power plants, refineries, mines, and transload facilities that employ over one million Americans. In doing so, they keep 30 million truckloads a year off the highway, saving \$1.3 billion per year in highway damage costs. The tax credit available under section 45G supports a vast array of American businesses and extension of the credit should be a priority for our Committee.

Tax-free distributions from individual retirement plans for charitable purposes, HR 2502

Together with my colleague Congressman Wally Herger, I introduced HR 2502, the Public Good IRA Rollover Act of 2011 and we count several other Republican members of the Ways and Means Committee as cosponsors. The provisions of HR 2502 build off of the Pension Protection Act of 2006, led by Speaker Boehner and which I voted to support. The Public Good IRA Rollover Act is strongly supported by charities, foundations, and universities across the country. By allowing tax-free donations from IRAs under certain circumstances, this legislation drives charitable giving and empowers charitable work across the country. In 2010, for instance, as a result of expanded opportunities to give using this provision, donors contributed \$7.77 billion to donor-advised funds, an increase of 25.5 percent compared to 2009. This increase allows community foundations—which make as much as two-thirds of their grants from donor-advised funds—to attract new sources of support. Community foundations are often the first place our constituents turn to when in need of help and represent a source of critical assistance to our communities. This legislation provides valuable resources for communities across the country and Congress should continue its policy of supporting these charitable endeavors.

Parity for exclusion from income for employer-provided mass transit and parking benefits, HR 2412 (see also HR 1825)

While qualified transportation fringe benefits under section 132 are a permanent feature of our tax code, the statute provides different levels of support between the transit provisions and the parking provisions. The inflation adjustments, over time, have led these two provisions to diverge substantially from community needs. During the past three years, Congress expanded the transit benefit to match the parking benefits and better reflect transit needs. I support this policy, encapsulated by Congressman McGovern's legislation, HR 2412, which several members of this Committee cosponsor, including Congressman Gerlach.

I would also like to highlight that our committee can adopt a cost neutral fix merely by equalizing the parking and transit benefits at a slightly reduced level. It would not penalize those taxpayers who utilize the parking benefit and it would provide a wider array of options to commuters. That solution is reflected in my legislation, HR 1825, the Commuter Relief Act, which has strong support from the transit community and is also cosponsored by Congressman Rangel.

American Research and Competitiveness Act of 2011, HR 942

Many studies have found that the average social returns to private investments in research and development exceed the average private returns. While this translates into increased consumer benefits, it also represents a market failure, which the government has a key role in remedying. By reducing the after-tax cost of research, the credit boosts business investment in basic and applied research, and thus enhances long-term U.S. economic growth. I'm proud to support HR 942, which would extend the tax credit for research and development activities under section 41 of the tax code, led by Congressman Brady and Congressman Larson. It represents an important priority for our committee that we should continue to tailor and strengthen to match our commitment to American competitiveness.

New markets tax credit, HR 2655

The New Markets Tax Credit Extension Act of 2011, led by Congressman Gerlach and Congressman Neal, and supported by myself and numerous other members of the Committee, extends a highly successful community development model. HR 2655 extends the New Markets program under section 45D of the tax code for a further five years, with \$5 billion in annual credit authority and an exemption from AMT for New Market Tax Credit investments. From 2003 to 2010, New Markets investments totaled \$20.9 billion and leveraged total project costs of \$45 billion, unlocking significant capital from many other partners. These dollars flow into low-income communities traditionally overlooked by conventional capital markets. Our committee should prioritize these investments and support community development around the country.

Conclusion

Thank you for your careful consideration of these incentives. This testimony necessarily represents only a partial list, given the vast changes soon to ripple through our tax code at the end of the year. I look forward to working with my colleagues on the Committee and in the Congress as we evaluate and strengthen those expiring provisions of our tax code and as we work towards a comprehensive reform of our tax code.