

**Comments for the Record**  
**House Committee on Ways and Means**  
**Subcommittee on Select Revenue Measures**  
**Hearing on Certain Expiring Tax Provisions**  
**Submitted by: Congressman Tom Latham**

I wish to express my appreciation to Chairman Pat Tiberi for holding a hearing to discuss the fate of the expiring provisions. I have long been a supporter of domestic sources of energy. Domestic fuels mean jobs in America and less reliance on regions of the world often unfriendly to our interests. As you review the tax extenders, I would urge you to consider extending the Alternative Fuels Credit and, with the demise of the ethanol tax credit, amending Internal Revenue Code section 6426(d)(2) to include E85 as an alternative fuel, similar to compressed natural gas, propane, and hydrogen.

The Energy and Policy Act of 1992 has long recognized E85 - comprised of 85 percent domestic ethanol and 15 percent gasoline - as an alternative fuel for domestic energy policy purposes. The simple reason it was not included with natural gas, propane and hydrogen in the alternative fuel credit was the presence of the general ethanol credit. As the Committee knows, all automobiles can run on gasoline with 10 percent ethanol. Only special flexible fuel vehicles can run on E85 and there are over 9 million on the road today. E85 could be a viable alternative fuel today if the over 160,000 independent retailers across the country could be convinced that they would recover their investment in sales over the next 5 years. The price of E85 is the key to that successful return in investment.

The domestic auto manufactures, Ford, GM, and Chrysler have pledged that in model year 2012, half of their car production will be in flexible fuel vehicles. Unfortunately, the supply chain for E85 fuel is immature to non-existent in more than half of the states. Currently, less than 2 percent of service stations in the United States provide E85 as an alternative fuel option, compared to 100 percent of Brazil's 35,000 stations. This makes the fuel unnecessarily expensive in most of the country. More pumps mean lower prices. Unfortunately, outside of the Midwest, it is easier to find a clean bathroom along our nation's highways than it is to find an E85 fuel pump.

At the same time, as many as 2,500 small and mid-size businesses have made the financial jump into selling E85. With the large increase in prices caused by the sun-setting of the ethanol credit on December 31 of 2011, many stations are finding their sales have dropped dramatically. In effect, having relied on the government to make the significant investment – averaging over \$150,000 – they now find themselves with stranded assets. Without the short-term price break that a tax credit provides, I am afraid 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.

Based on current E85 sales, these changes would only cost \$54 million annually, as opposed to the full ethanol subsidy, which costs \$6.3 billion annually. In other words, fixing the E85 can be done 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.