Coalition to Extend and Improve the
179D Tax Deduction for Energy Efficient Buildings

May 26, 2016

The Honorable Kevin Brady
Chairman
House Committee on Ways and Means
1102 Longworth House Office Building
Washington, D.C. 20515

The Honorable Charles Boustany
Chairman
House Subcommittee on Tax Policy
1102 Longworth House Office Building
Washington, D.C. 20515

The Honorable Sander Levin
Ranking Member
House Committee on Ways and Means
1106 Longworth House Office Building
Washington, D.C. 20515

The Honorable Richard Neal
Ranking Member
House Subcommittee on Tax Policy
1106 Longworth House Office Building
Washington, D.C. 20515

Dear Chairman Brady, Chairman Boustany, Ranking Member Levin, and Ranking Member Neal:

We write regarding the Subcommittee on Tax Policy's recent member day hearing. We applaud the commitment voiced by Chairman Brady at the hearing to return to a regular order process for consideration of improvements to the tax code. As you seek ways to grow our economy and create jobs, we strongly urge a multi-year extension of the Section 179D tax deduction for energy efficient commercial and larger multifamily buildings at the earliest opportunity before it expires on December 31, 2016.

Our organizations and companies represent a broad spectrum of the U.S. economy. They include real estate, manufacturing, architecture, contracting, engineering, building services, financing, labor, education, environmental and energy efficiency advocates. We represent many small businesses that drive and sustain American job growth.

Section 179D provides a tax deduction to help offset some of the high costs of energy efficient components and systems for commercial and larger multifamily buildings. The 179D deduction can leverage billions of dollars in private capital, resulted in the energy-efficient construction of thousands of buildings, and created and preserved hundreds of thousands of jobs. It has lowered demands on the power grid, moved our country closer to energy independence, and reduced carbon emissions. Consequently, certainty about this important tax policy is critical.

We also urge strengthening Section 179D by allowing tribal governments and non-profits to allocate the deduction to designers. These bipartisan, broadly supported amendments to Section 179D, which have been approved by the Senate Finance Committee previously, are commonsense modifications that would make Section 179D even more impactful.

We also favor improvements to the 179D deduction to better enable retrofits for buildings owned and managed by private sector owners, and encourage that any extenders package incorporate the common sense, technology neutral, and performance based provisions, such as those offered by Senators Cardin, Feinstein, and Schatz in title I of S. 2189 filed last Congress.

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179D Tax Deduction for Energy Efficient Buildings

These provisions provide a sound policy bridge to comprehensive tax reform efforts, as Section 179D is fully consistent with reform priorities. In particular, by allowing businesses to accelerate cost recovery, Section 179D stimulates greater capital investment. This dynamic is an engine of economic growth for communities across the country.

We strongly urge Congress to ensure that Section 179D continues to drive growth and innovation by extending this important provision at the earliest possible opportunity before its expiration on December 31, 2016 and by allowing tribal governments and non-profits to allocate the deduction to designers. Thank you.

Sincerely,

ABM Industries
Acuity Brands
Advanced Energy Economy
Air Barrier Association of America
Air Conditioning Contractors of America
Air-Conditioning, Heating, and Refrigeration Institute
Alliance for Industrial Efficiency
Alliance to Save Energy
Alliantgroup, LLC
Ameresco
American Council for an Energy-Efficient Economy
American Council of Engineering Companies
American Gaming Association
American Gas Association
American Institute of Architects
American Public Gas Association
American Resort Development Association
American Society of Interior Designers (ASID)
APPA – Leadership in Educational Facilities
Appraisal Institute
ASHRAE
Associated General Contractors of America
Big Ass Solutions
BLUE Energy Group
Brady Services Inc.
Building Owners and Managers Association (BOMA) International
CCIM Institute
Chestnut Hill South, LLC
Concord Energy Strategies
Consolidated Edison Solutions
Consolidated Energy Solutions
D Squared Tax Strategies
Eaton
Energy Future Coalition
Energy Systems Group
Energy Tax Savers, Inc.
Environmental Defense Fund

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179D Tax Deduction for Energy Efficient Buildings

Franklin Construction, LLC
Green Business Certification Inc.
Green Light National
Howard J. Moore Company Inc.
Independent Electrical Contractors
Ingersoll Rand
Insulation Contractors Association of America
Institute for Market Transformation (IMT)
Institute of Real Estate Management
International Council of Shopping Centers
International Union of Painters and Allied Trades
Johnson Controls, Inc.
KeyStone Energy
Legrand
Lexicon Lighting Technologies
LightPro Software, LLC
LuNex Lighting
McKinstry Essention, LLC
Mechanical Contractors Association of America (MCAA)
Metrus Energy, Inc.
Micromega Systems, Inc.
Mix Avenue, LLC
NAIOP, the Commercial Real Estate Development Association
North American Insulation Manufacturers Association
National Apartment Association
National Association of College and University Business Officers
National Association of Electrical Distributors
National Association of Energy Service Companies (NAESCO)
National Association of Home Builders
National Association of Real Estate Investment Trusts
National Association of REALTORS®
National Association of State Energy Officials (NASEO)
National Electrical Contractors Association (NECA)
National Electrical Manufacturers Association (NEMA)
National Leased Housing Association (NLHA)
National Multifamily Housing Council
National Roofing Contractors Association
Natural Resources Defense Council
North Haven Health & Racquet, LLC
OpTerra Energy Services
Osram Sylvania
Owens Corning
Pathfinder Engineers & Architects
Plumbing-Heating-Cooling Contractors-National Association
PMH Associates, Inc.
Polyisocyanurate Insulation Manufacturers Association
PowerDown Holdings, Inc.
PowerDown Lighting Systems, Inc.
Rampart Partners LLC

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179D Tax Deduction for Energy Efficient Buildings

RB+B Architects, Inc.
Real Estate Board of New York
Sheet Metal and Air Conditioning Contractors' National Association
Sheet Metal Workers' International Association, a division of S.M.A.R.T. (International Association of Sheet Metal, Air, Rail & Transportation Workers)
Saybrook Point Inn, LLC
Saybrook Point Marina, LLC
Sierra Club
Society of Industrial and Office REALTORS®
Sustainable Performance Solutions
TecnerG, LLC
TerraLUX
The Real Estate Roundtable
Trio Electric
Tri-State Light & Energy, Inc.
U.S. Green Building Council
Window & Door Manufacturers Association

cc: Members of the House Ways and Means Committee

To the House Ways and Means Tax Policy Subcommittee

Hearing on Fundamental Tax Reform

May 9, 2016

Subject: Federal Income Tax Reform

Virtually everyone in Washington has regurgitated the problems with the income tax, an albatross put on the American Public in 1913 with the ratification of the 16th Amendment. The 16th Amendment was sold to the people as all poor legislation is with grandiose promises that proved to be false. From that point on the albatross grew as Washington found and created ways to eat more and more of the publics hard earned income. It is way past time for this mutant bird to be eliminated for good in spite of the resistance of many in Washington to preserve some form of an income tax, the goose that lays their golden eggs.

In the way of alternatives to an income tax there are only two, a Value Added Tax (VAT) and a pure consumption tax via a national retail sales tax (NRST). The latter being the purest and fairest of national sales taxes offered I the past.
A VAT should not be a consideration as it will only do a small portion of what the NRST will do. A VAT has its own complexities in implementation and is prone to hidden adjustments to rate, industries or products by house legislation each of which add complexities to the compliance process. A VAT is typically added to an income tax. It still requires an IRS, albeit somewhat smaller than today's. The force of an IRS however is something that must be eliminated to restore some of the freedoms not granted but confirmed by our constitution.

A Flat Tax is closer to what we have today, an income tax. Sure it will reduce rates from the seven to one but that will be short lived just like the IRC of 1986 which was just two rates, but for how long. And this did not give America a real reduction in taxes. It just shifted the burden from a higher income tax bracket to eliminating several deductions to compensate for the income tax lost.

The best solution for our economic woes is the NRST as proposed in HR-25, The Fair Tax Act. The reasons are many but I will offer just two or three very powerful reasons.

1. **HR-25 is the only tax proposal that will stop Corporate Inversions cold.**
   Unlike the Flat Tax plans, there are no corporate taxes.
   There are no taxes on income from any source be it one's labor or their willingness to invest and earn profit from the risk they take.

   What's not to like about this that would cause a company to want to go elsewhere?
   America becomes a vacuum for business coming to America adding jobs beyond our comprehension as well as foreign investment capital who understand the opportunity in an environment without any tax on income regardless of its source.

2. **HR-25 unburdens our exports from carrying the weight of the income tax in tis pricing.**
   With the embedded taxes and compliance cost removed from businesses, the FAIRtax overcomes the 17-18% price disadvantage our exporters face today.
   The Made in America label is loved by other countries and with the lower pricing of our goods will be in

higher demand. This it-self is a job creator as exporters will need to produce more.
Imported products will be taxed under the FAIRtax further leveling the playing field for domestically produced products and services. Again, a stimulus for more jobs here.

3. **HR-25 is the only tax plan that will completely tax the underground economy.**
   Since a large part of the underground economy is illegal and these people don't file an income tax return, under the FAIRtax they'll be taxed when they buy stuff.
   Those who are on some form of government subsistence who also work getting paid under the table and just not reporting the extra income, after they have spent their income to the poverty level, they start contributing tax to the federal coffers. Another path to cheating closed.

4. **The national cost of administering and enforcing the income tax is reduced by up to 90%.**
   The numbers are all over the yard from $385B to $450B to pay for complying with our income tax. Costs under HR-25 have been projected by the research that was done prior to the writing of the legislation to be about 10$ of what we pay today. There is no plan more simple than HR-25 to administer and enforce and a noticeable step is taken in reducing the size of government by the elimination of the IRS which no other plan does in spite of what some may claim.

In summary, the two most important issues resolved by the FAIRtax is a system that will provide jobs, a result of the growing economy. Both of these issues increasing revenue to the federal government which I trust some will be directed to paying down our unbelievable debt and permit congress to budget within the revenue received.

Maybe, just maybe, our children will begin to experience the type of economy you and I experienced as youngsters just into the work force. Those entering the work force after about 1990 have never seen the job market like we have.

Please consider just these few powerful benefits of HR-25 and help other W&M Committee member understand them too.

ACRO
ASSOCIATION OF CLINICAL RESEARCH ORGANIZATIONS

Comment to House Ways and Means Tax Policy Subcommittee
On H.R. 2481, The Domestic Research Enhancement Act of 2015
May 11, 2016

Last year, Representatives Pat Meehan (R-PA), George Holding (R-NC), and G.K. Butterfield (D-NC) introduced H. R. 2481, "The Domestic Research Enhancement Act of 2015." This bipartisan legislation allows clinical research organizations to receive a partial benefit of the research and development (R&D) tax credit for their qualified domestic research. In the Senate, Senators Tom Carper (D-DE) and Pat Toomey (R-PA) have included a similar proposal in S.537, "The COMPETE Act of 2015," as well as introducing it as a standalone amendment during Finance Committee consideration of the Protecting Americans from Tax Hike Act of 2015 last year.

Under current law, when a company contracts with another to conduct its R&D, the allowable expenses towards determining its R&D tax credit drops from 100 percent to 65 percent. At the same time, the contract company conducting the research is prohibited from claiming the R&D credit even though the research would otherwise be qualified. As a result, 35 percent of the R&D credit is lost even though it is conducted in the US and would otherwise be qualifying.

The Meehan/Holding/Butterfield legislation, H.R.2481, would address this antiquated limitation and allow the R&D contract research company to claim the applicable research credit for the remaining unused 35 percent of eligible, domestic R&D expenses. As under current law, the contracting business can still claim 65 percent of qualifying research spending for purposes of the credit. Their R&D tax credit would not change.

Historically, pharmaceutical, biotech and medical device companies conducted most of their research and development in-house. But in recent years a dramatic shift has occurred and the majority of this work is now contracted out to specialized clinical research organizations (CROs). As a result, CROs have rapidly increased in size, more than doubling their employment in the past 10 years and contributing to the development of approximately 95 percent of all new drugs that are approved globally each year.

In recognition of the importance of having these clinical trials conducted domestically, many countries like France, Canada and the United Kingdom are offering incentives to

encourage companies to locate and operate inside their borders. In fact, in these jurisdictions CROs can often claim 100 percent of the applicable R&D credit.
In order to remain competitive globally, the U.S. must continue to be an attractive location for clinical trials. Maintaining a strong portfolio of domestic clinical research for drugs, devices, treatments and processes is imperative if we want the U.S. to continue to be the world's leader in biomedical product development and related technology.

H.R. 2481 ensures that CROs can continue to invest in U.S. jobs in an ever-competitive global marketplace. Together, ACRO companies employ approximately 45,000 research professionals in the U.S. in states such as North Carolina, Pennsylvania, Massachusetts, New Jersey, Texas, Kansas, Indiana, Wisconsin and California and Ohio. The average salary for these positions is $62,979 (2013).

Through pro-growth tax policy like the Meehan/Holding/Butterfield bill, the U.S. can remain a leader in clinical research and continue to produce high-skilled and high-paying research jobs. A strong domestic clinical research industry ensures that innovative, treatments and cures will be available to patients in the U.S. first.

The Association of Clinical Research Organizations (ACRO) represents the world's leading, global CROs. Our member companies provide a wide range of specialized services across the entire spectrum of development for new drugs, biologics, and medical devices – from discovery, pre-clinical, proof of concept, and first-in-man studies through post-approval and pharmacovigilance research. Each year, ACRO member companies conduct more than 9,000 clinical trials involving nearly two million research participants in 142 countries. On average, each of our member companies works with over 500 research sponsors annually. With more than 110,000 employees engaged in research activities around the world, ACRO advances clinical outsourcing to improve the quality, efficiency, and safety of biomedical research.

Thank you for your consideration. If you would like further information, please contact John Lewis, Senior Vice President, Policy & Public Affairs, at 202-464-9344.

AimBank
337 Phelps Avenue · Littlefield, TX 79339 (806) 385-4441

May 25, 2016

U.S. House of Representatives
Ways and Means Subcommittee
1102 Longworth HOB
Washington, DC 20515

RE: HR 2789 – Capital Access for Small Business Banks Act
HR 3287 – Community Bank Flexibility Act

Honorable Committee Members:

AimBank is a Subchapter S bank with 16 banking offices located in 13 cities in the northwest quadrant of Texas, including the Panhandle, South Plains, Permian Basin, and Big Country. We have enjoyed remarkable success since our beginnings in July of 2003, having grown from $15 million in total assets to over $800 million in total assets today. Our typical commercial customers are small businesses and farming operations, and our consumer customers are local families who live on Main Street, America. We go to our children's ball games, church, town hall meetings, and serve on local philanthropic boards alongside our customers, every day.

Unfortunately, the larger our bank has become, the more regulatory burden we have encountered, especially with the passage of Dodd-Frank and Basel III – both of which we consider to be punitive regulations for the actions of the mega-Wall Street banks that caused the financial crisis of 2008. Additionally, our ability to raise capital to support additional growth and serve our communities has become more difficult due to antiquated banking regulations, including the limitation on the number of Sub. S corporation shareholders, and lack of ability to organize in alternative forms, such as an LLC. Expanding our shareholder base would mean access to more capital, which in turn increases our opportunities for growth – both indigenously and via acquisition of other financial institutions.

And, we are not alone. There are about 2,300 Subchapter S banks, or approximately ⅓ of all banks in the United States. And, like 90% of these banks, we are also located in a rural areas and have total assets of less than $1 billion. Statistics show that Subchapter S banks make nearly 2 times the volume of small business loans per dollars of capital as C corporation banks.

We would respectfully ask that careful consideration be given to passing legislation such as contained in these specific bills:

- HR 2789 – This would provide significant benefits and flexibility for Subchapter S banks by permitting us to be able to have better access to additional capital that is necessary to support growth, and to invigorate our local economies. Given our bank's rate of growth, at some point our existing shareholders will be "tapped out", and will not be able to provide the capital support that is necessary to execute our strategic plan. Allowing more shareholders for Subchapter S banks simply means that new sources of capital will become available to continue to proportionately support growth.

- HR 3287 – This would provide another alternative to organize a tax efficient and flexible banking organization. In the current regulatory environment, we need the freedom to organize in alternative forms in order to meet capital requirements, grow, and better serve our communities.

Both of these bills are consistent with the FDIC's recently announced interest in promoting de novo charters in the U.S., and both bills would open up new opportunities for banks to raise needed capital without introducing significant new and/or disproportionate risks into the financial system.

The increased regulatory burden that resulted from the financial crisis of 2008 has had a disparate effect on small community banks' ability to execute our business model when compared to Wall Street banks. Couple that with existing limitations that Subchapter S banks must abide by, and it is clear to see that we are experiencing a legislated competitive disadvantage that could be easily remedied with the passage of bills such as those referenced above.

Thank you again for your serious consideration.

Sincerely,

Jay H. Lee,
EVP – Risk Management

May 25, 2016

The Honorable Charles Boustany (R-LA)
Chairman
Ways and Means Tax Policy Subcommittee
1431 Longworth House Office Building
United States House of Representatives
Washington, D.C. 20515

The Honorable Richard Neal (D-MA)
Ranking Member
Ways and Means Tax Policy Subcommittee
341 Cannon House Office Building
United States House of Representatives
Washington, D.C. 20515

Dear Chairman Boustany and Ranking Member Neal:

The Alliance for Industrial Efficiency (hereinafter, "The Alliance") appreciates the opportunity to comment on the House Ways and Means Tax Policy Subcommittee's Member Day Hearing on Tax Legislation. The Alliance is a diverse coalition that includes representatives from the business, environmental, labor and contractor communities, and has members in every state. We are committed to enhancing manufacturing competitiveness and reducing emissions through industrial energy efficiency, particularly through the use of clean and efficient power generating systems, such as combined heat and power (CHP) and waste heat to power (WHP). We write now to urge the subcommittee to support policies that would help advance the deployment of these important clean-energy technologies.

We commend the House Ways and Means Tax Policy Subcommittee for holding a Member Day Hearing on Tax Legislation on May 12, 2016. We recognize the importance of providing opportunities for both sides of the aisle to present their ideas to improve the tax code and particularly applaud the subcommittee for discussing tax bills specifically related to energy issues. Our comments support two similar bills that were discussed during the hearing: (1) the Technologies for Energy Security Act (H.R. 5167), introduced by Representative Tom Reed (R-NY-23) and (2) H.R. 5172, introduced by Representative Patrick Meehan (R-PA-7). Both of these bills extend the existing Section 48 investment tax credit (ITC), as was done for the solar tax credit last winter. As elaborated below, we urge the subcommittee to expand these proposals to include a modest amendment to support WHP deployment. We also support complementary proposals that would benefit CHP and WHP, including the Power Efficiency and Resiliency Act (the "POWER Act," H.R. 2657) and the Master Limited Partnership Parity Act (H.R. 2883).

I. <u>CHP and WHP offer economic, reliability, and environmental benefits.</u>

CHP and WHP are proven and effective energy resources that can help address current and future global energy needs and enhance manufacturing competitiveness while reducing environmental impacts. By generating both heat and electricity from a single fuel source, CHP dramatically lowers emissions and increases overall fuel efficiency – allowing utilities and companies to effectively "get more with less." CHP can operate using more than 70 percent of fuel inputs. As a consequence, CHP can produce electricity with roughly one-quarter the emissions of an existing coal power plant. WHP can generate electricity with no additional fuel and no incremental emissions. Due to its scale, a single CHP or WHP investment can achieve significant emission reductions.

Investment in CHP and WHP systems stimulates the local economy both directly and indirectly. By dramatically reducing electric power demand (and related energy costs) for industrial sources, CHP can directly make U.S. manufacturing more competitive. For instance, the ArcelorMittal steel facility in East Chicago, Indiana, reports $20 million in annual energy savings from its CHP facility. The company found that these cost savings made the plant's steel more competitive by effectively lowering the production cost by approximately $5 per ton.[1] Further, industrial companies with CHP, such as ArcelorMittal, can use the money they save on energy to expand production and employment. Such savings are already being realized at thousands of locations nationwide (though, as noted below, the opportunity is far greater).

CHP and WHP projects create direct jobs in manufacturing, engineering, installation, operations, and maintenance, which in turn, increase the economic competitiveness of companies that install the systems and receive the energy savings benefits. Individuals employed as a result of CHP and WHP installations are able to spend their income on goods and services within their local communities, while businesses can reinvest the energy bill savings they receive from those systems into other goods and services as well. For example, businesses may use the money they save on their energy bills energy bill to support facility expansion or other capital projects or to hire and/or retain workers. These activities create and retain jobs and induce economic growth in local communities.[2]

A 2013 Natural Resources Defense Council issue paper states that each gigawatt of installed CHP capacity may be reasonably expected to create and maintain between 2,000 and 3,000 full-time equivalent jobs throughout the lifetime of the system. These jobs would be in manufacturing, construction, operations and maintenance, as well as indirect jobs from redirection of industrial energy expenditures and the spending of commercial and residential energy bill savings on other goods and services.[3]

What's more, because CHP projects can operate independently of the grid, they can increase the reliability of our power sector, by ensuring that manufacturers, universities and hospitals "keep the lights on" during extreme weather events that can compromise the electric grid.[4] As a testament to the power resiliency of CHP systems, during both Hurricane Katrina in 2005 and Hurricane Sandy in 2012, facilities with CHP continued to have access to power and thermal amenities, including several hospitals that were able to continue serving patients.[5] Indeed, while more than eight-million residents in the Mid-Atlantic lost power during Hurricane Sandy in

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[1] Center for Clean Air Policy, Jul. 2013, "White Paper: Combined Heat and Power for Industrial Revitalization: Policy Solutions to Overcome Barriers and Foster Greater Deployment," at 10 (http://ccap.org/assets/White-Paper_Combined-Heat-and-Power-for-Industrial-Revitalization_CCAP_July-20131.pdf).
[2] Natural Resources Defense Council, Apr. 2013, "Combined Heat and Power Systems: Improving the Energy Efficiency of Our Manufacturing Plants, Building, and Other Facilities," at 6 (http://www.nrdc.org/energy/files/combined-heat-power-ip.pdf).
[3] *Id.*
[4] U.S Department of Energy, U.S. Department of Housing and Urban Development, U.S. Environmental Protection Agency, Sep. 2013, "Guide to Using Combined Heat and Power for Enhancing Reliability and Resiliency in Buildings," (https://portal.hud.gov/hudportal/documents/huddoc?id=energy_chp_for_rc.pdf).
[5] NRDC, *supra* note 2.

October 2012, CHP systems helped several large energy users — including New York University, Long Island's South Oaks Hospital, Co-op City in the Bronx and New Jersey's Bergen County Utilities Authority — stay warm and bright.[6] These islands of power acted as places of refuge for emergency workers, displaced people, and evacuated patients from medical facilities without power.[7]

Across the country, nearly 83 gigawatts of CHP capacity exist at more than 4,400 industrial and commercial facilities, representing over 12 percent of annual U.S. power generation.[8] However, significant potential remains. In fact, this spring (March 2016), Department of Energy (DOE) published a new report finding that across all CHP categories,[9] there is an estimated 149 gigawatts of remaining on-site technical potential within the U.S.[10] Realizing this potential would create jobs in the design, construction, installation and maintenance of equipment; reduce fuel use and energy costs; and lower greenhouse gas emissions.

Unfortunately, CHP and WHP deployment to date fall far short of this technical potential. Despite the substantial long-term economic benefits, projects require a significant up-front investment with a multi-year payback period. CHP capital costs, which vary depending on the prime mover and the capacity of the installed system, range from $1,200 to $4,000 per kilowatt depending on technology, size and site conditions.[11] CHP system owners report payback periods ranging from 1.5 years to 12 years, with a large number of opportunities anticipating payback between 5 to 10 years.[12]

Financial incentives for CHP and WHP can help reduce the initial cost for these projects, shrinking the payback period. It is imperative that appropriate incentives exist for CHP and WHP to support widespread deployment and realize the full suite of CHP and WHP's economic, reliability and environmental benefits. Fortunately, policy solutions with strong bipartisan support exist to allow this.

II. The Alliance urges the House Ways and Means Tax Policy Subcommittee to support H.R. 5167 and H.R. 5172.

At the Member Day hearing, Representative Tom Reed (R-NY) promoted the Technologies for Energy Security Act (H.R. 5167) and Patrick Meehan (R-PA) promoted a similar bill, H.R. 5172.

[6] Pentland, William, Oct. 31, 2012, "Lessons From Where The Lights Stayed On During Sandy," *Forbes* (http://www.forbes.com/sites/williampentland/2012/10/31/where-the-lights-stayed-on-during-hurricane-sandy/#efe1e20731b3).
[7] *See, e.g.,* U.S. EPA, June 18, 2014, 79 Fed. Reg, 34830, 34899, "Carbon Pollution Emission Guidelines for Existing Stationary Sources: Electric Utility Generating Units" (noting that CHP "reduce[s] demand for centrally generated power and thus relieve[s] pressure on the grid.")
[8] U.S. Department of Energy, Mar. 2016, "Combined Heat and Power (CHP) Technical Potential in the United States," at 5 (http://energy.gov/sites/prod/files/2016/04/f30/CHP%20Technical%20Potential%20Study%203-31-2016%20Final.pdf).
[9] Includes traditional topping cycle CHP, WHP CHP (sometimes referred to as bottoming cycle CHP), and district energy CHP.
[10] U.S. DOE et al, *supra* note 8.
[11] U.S. EPA, Sept. 2014, "Catalog of CHP Technologies," at Table 2-4, (reporting capital costs ranging from $1,200 to $4,300/ kW – small microturbine on the small side, large gas turbine on the high side of range – dependent on prime mover and size), (http://www.epa.gov/chp/documents/catalog_chptech_full.pdf).
[12] AGA, May 2013, "The Opportunity for CHP in the United States," at Table ES-1 (reporting approximately 35 GW of projects with a payback between 5 to 10 years compared to 6.4 GW with a payback of less than 5 years given current technology costs and electricity prices), (https://www.aga.org/sites/default/files/sites/default/files/media/the_opportunity_for_chp_in_the_united_states_-_final_report_0.pdf).

Both bills extend the existing Section 48 investment tax credit (ITC) for all technologies to property, the construction of which begins before January 1, 2022. Similar incentives were secured for solar energy in December of 2015. Accordingly, these bills provide needed policy parity for other section 48 clean-energy technologies, including CHP.

The Alliance strongly supports these bipartisan bills and believes the extensions they propose are needed to encourage continued growth of the clean-energy economy. By extending the ITC for all Section 48 technologies, these bills would help improve the energy efficiency and competitiveness of America's manufacturing sector and enhance the country's energy independence and security.

In order to further strengthen these bills, the Alliance strongly encourages Congress to clarify that the existing Section 48 ITC for CHP includes WHP as well. In February 2016, the Senate Finance Committee approved bipartisan legislation making a technical correction to Section 48 and clarified that WHP is a qualifying technology (S. 913). We applaud this action by the Senate Finance Committee. S. 913 addresses the unique attributes of WHP that distinguish it from CHP, and provides critical parity with other power sources eligible for the ITC. Accordingly, we urge the House to incorporate this common-sense amendment into H.R. 5167 and H.R. 5172 to ensure that *all* clean-energy technologies benefit.

By expanding the Section 48 tax credit to WHP (as reflected in S. 913), the subcommittee would reduce the cost of WHP technologies, diversify our nation's energy mix, create on-site power while lowering fuel use and emissions, and promote enhanced competition among all of our nation's energy sources. We therefore urge Congress to include this simple clarification in any additional energy tax legislation this year.

III. The Alliance urges the House Ways and Means Tax Policy Subcommittee to support additional legislation that promotes CHP and WHP.

As the House Ways and Means Tax Policy Subcommittee considers proposals to improve the U.S. tax system, we would also urge adoption of the Power Efficiency and Resiliency Act (POWER Act), which would provide a 30-percent tax credit for the installation of CHP and WHP systems – the same incentive given for deploying other clean-energy technologies, such as wind and solar power. The POWER Act has been introduced in both the House (H.R. 2657) and the Senate (S. 1516) and enjoys strong bipartisan support. In fact, there are now 46 cosponsors for the POWER Act in the House (26 Republicans and 20 Democrats). Congress should include this ambitious proposal in any comprehensive efforts to improve the tax code.

We also support enactment of the Master Limited Partnerships (MLP) Parity Act (H.R. 2883) introduced by Representatives Poe (R-TX-2) and Thompson (D-CA-5). The Alliance has long supported this bicameral, bipartisan proposal. The expansion of MLPs for the U.S. energy sector will enable greater parity in the tax code, encourage technology diversity, spur private investment, enhance national security, and protect the environment.

MLPs are investment vehicles taxed as partnerships but whose ownership interests trade like corporate stock. They provide access to large amounts of low-cost capital for traditional energy projects – primarily oil and gas pipelines – with a current market capitalization of more than

$450 billion. Bipartisan, bicameral legislation has been introduced in multiple sessions of Congress that would open up MLPs to a broader set of energy technologies from wind, solar, and storage to carbon capture, energy efficiency, and cogeneration. We urge Congress to include, and support enactment of, the MLP Parity Act as part of any legislation aimed at improving the U.S. tax system. This will allow all clean-energy technologies to benefit from favorable financing.

In conclusion, the Alliance encourages the Congress to swiftly enact the extension of the CHP investment tax credit as proposed in H.R. 5167 and H.R. 5172, and clarify that WHP is also eligible for the investment tax credit. We also ask that the Subcommittee include the POWER Act and Master Limited Partnerships Parity Act as part of its tax reform agenda. CHP and WHP provide a scalable, cost-effective approach to increasing manufacturing competitiveness, enhancing electric reliability, and reducing emissions. Unfortunately, limitations in existing tax policy has prevented manufacturers from realizing these benefits. We look forward to working with the House Ways and Means Tax Policy Subcommittee to explore policy options to help realize the full potential of CHP and WHP.

Thank you for the opportunity to comment.

Sincerely,

Jennifer Kefer
Executive Director
Alliance for Industrial Efficiency

Statement for the Record

On Behalf of the

American Bankers Association

For the Hearing on

"Member Day Hearing on Tax Legislation"

Before the

The Subcommittee on Tax Policy

Of the

House Committee on Ways and Means

May 12, 2016

American Bankers Association

1120 Connecticut Avenue, NW Washington, D.C. 20036 800-226-5377 (phone) 202-663-5209 (fax)

The American Bankers Association (ABA) is pleased to provide a written statement for the record for the Ways and Means Tax Policy Subcommittee Member Day Hearing on Tax Legislation held on May12, 2016.

The ABA is the united voice of America's hometown bankers; small, mid-size, regional and large banks that together employ more than 2 million people, hold more than $16 trillion in assets, safeguard $12 trillion in deposits and extend more than $8 trillion in loans.

It is estimated that approximately one third of all banks in the United States operate under the provisions of Subchapter S of the Internal Revenue Code (IRC). In addition, there are other small banks that operate under Subchapter C of the IRC that cannot qualify for Subchapter S status for a variety of reasons or choose not to use the provisions due to current restrictions in the IRC. The vast majority of these banks specialize in serving smaller communities and small businesses.

The ABA is supportive of tax policy proposals that assist in creating economic growth and strong banks. To continue to serve communities and meet additional regulatory requirements, banks need additional flexibility in the IRC to operate efficiently and effectively.

Representative Kenny Marchant (TX) has introduced two bills that will make needed changes to the IRC that will help facilitate the additional raising of bank capital and the efficient operation of community banks. The two bills are summarized below.

Capital Access for Small Business Banks Act – H.R. 2789

This legislation will allow banks that are currently operating under Subchapter S of the IRC to expand the number of allowable shareholders from 100 to 500. In addition, the bill provides that an S corporation bank could issue a class of qualified preferred stock, with a deduction for dividends paid, without violating its status as an S corporation.

By expanding both the number of potential shareholders and the type of stock that can be issued, additional opportunities will be available for banks to raise capital. This will result in an ability to make more loans, grow business in the banks' communities and strengthen the capital base for community banks.

Community Bank Flexibility Act – H.R. 3287

This legislation will allow banks organized as limited liability companies (LLCs) to be treated as a bank under Section 581 of the IRC for tax purposes. The LLC structure allows a corporation to achieve tax efficiencies similar to S corporation status by having the income of the corporation taxed only once, at the shareholder level. In addition, as a LLC for tax purposes, banks would not face the same restrictions on the number of shareholders and types of stock that are present where an entity is operating as a S corporation. The legislation also includes provisions for an orderly transition for those banks that would elect to use the LLC tax status.

Similar to the reasons for supporting H.R. 2789, this bill will support a bank's ability to operate in a tax efficient manner and to raise the capital required to serve the needs of the community with a strong capital base.

ABA Support

Rep. Marchant's legislation will provide additional important tax efficient alternatives for banks to raise capital. The ABA supports these two changes to the IRC that will help promote strong banks, encourage growth and stronger, more economically vibrant communities. We urge Congress to consider these important banking tax issues as it continues its deliberations on tax policy.

May 4, 2016

The Honorable Kevin Brady
Committee on Ways and Means
United States House of Representatives

The Honorable Sandy Levin
Committee on Ways and Means
United States House of Representatives

The Honorable Charles Boustany
Ways and Means Subcommittee on Tax Policy
United States House of Representatives

The Honorable Richard Neal
Ways and Means Subcommittee on Tax Policy
United States House of Representatives

Dear Chairmen Brady and Boustany and Ranking Members Levin and Neal:

On behalf of the Adoption Tax Credit Working Group (ATCWG), we would like to inform the Committee on Ways and Means and its Subcommittee on Tax Policy (Committees) of our efforts and offer ourselves as a resource. The ATCWG is a national collaboration of 150 organizations united by our support and advocacy for the adoption tax credit, which plays an important role in encouraging the adoption of children who need families. The organizations that make up the ATCWG represent children and families from every sector of adoption, including U.S. foster care, domestic private and international adoptions. With our broad representation and involvement in adoption policy and practice issues, we have a unique perspective on the role that the tax credit plays for Americans who adopt.

The ATCWG understands that there is bipartisan interest in simplifying the tax code. As the Committees consider the best means of achieving this goal, we urge you to consider the strong public policy rationale for the adoption tax credit and the bipartisan history and support that has existed since its inception. The house version of the bipartisan *Adoption Tax Credit Refundability Act of 2015* currently has nearly forty co-sponsors.

First enacted in 1996 as a part of the *Small Business and Job Protection Act of 1996* (P.L. 104-188), the adoption tax credit advances the important goal of enabling domestic and intercountry adoptions, especially for children with special needs who otherwise might linger in costly foster care without the benefits and security of permanent, loving families. **Over 50,000 children were adopted from foster care in fiscal year 2014 alone.**[1] By offsetting some of the costs of adoption – and particularly of caring for a child with special needs – the tax credit makes adoption a more viable option

[1] The AFCARS Report: Preliminary FY 2014 Estimates as of July 2015 Data. *U.S. Department of Health and Human Services: Administration for Children and Families*. Adoption and Foster Care Analysis and Reporting System, retrieved February 18, 2016, from: http://www.acf.hhs.gov/programs/cb/resource/afcars-report-22.

for many children and families. **Over 60 percent of adopted children are adopted by lower and middle-income taxpayers, and almost half of children adopted from foster care live in families with household incomes at or below 200 percent of the federal poverty level.**[2] Congress has always worked across the aisle to prioritize the continuation of the adoption tax credit, and we hope that the Committees recognize the value of the credit.

We applaud Chairman Brady for supporting revisions to the tax code that will strengthen the economy. The adoption tax credit does just this because, simply put, adoption saves our government scarce resources. A study reported by the federal Children's Bureau showed that **the government saves between $65,000 and $127,000 for each child who is adopted, rather than placed in long-term foster care**.[3] These savings accrue from reductions in the need for direct child welfare services (foster care and court oversight) and from the long-term societal benefits of adoption (increased graduation rates, reduced homelessness, and reduced incarceration). As Representative Trent Franks said, "In the long term, keeping children in families saves society money by breaking children out of a cycle we know for so many, often leads to homelessness, welfare, incarceration, or other tragic outcomes. When you measure that against the hope of a new life, stability, and a future of love and support for a child, it's easy to make the case that the Adoption Tax Credit Refundability Act strengthens America's future on every level."[4]

Children and youth deserve a permanent family, and while adoption certainly supports these children, it also benefits society broadly.[5] Adoption places children on a path to becoming more productive citizens, and research tells us that poor outcomes are common for youth who exit foster care without stable families. In addition to higher incarceration rates, youth who "aged-out" of the foster care system face many other difficult odds. For example, only 58 percent of foster youth graduated high school by age 19, only 50 percent were employed by age 24, and 71 percent of young women were pregnant by age 21.[6] Studies comparing children who remain in foster care to children who are adopted have shown that: **adopted children are 54 percent less likely to be delinquent or arrested, 19 percent less likely to become teen parents, and 76 percent more likely to be employed**.[7] Annually, more than 24,000 youth exit foster care without ever finding a permanent family to help them in the transition to adulthood.[8] An extensive study by Nicholas Zill found that 81 percent of males in long-term foster care had been arrested compared with 17 percent of all young males nationally. Incarceration of former foster youth is estimated to cost society $5.1 billion annually.[9]

Speaker Paul Ryan has noted that he wants to restore upward mobility, make our tax code fairer, strengthen our safety net, and empower productive lives. The adoption tax credit meets the goals laid out by Speaker Ryan. Likewise, it addresses the concern expressed by Chairman Brady that "adoption is just too expensive for working families."[10] Lowering the tax burden on adoptive families enables them to invest in their family's future while saving government funds.

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[2] "The Importance of the Adoption Tax Credit," The Adoption Tax Credit Working Group, 2015. Retrieved February 18, 2016, from https://adoptiontaxcreditdotorg.files.wordpress.com/2015/10/atcfactsheet.pdf.

[3] R. P. Barth, C. K. Lee, J. Wildfire, and S. Guo, *"A Comparison of the Governmental Costs of Long-Term Foster Care and Adoption,"* Social Service Review (March 2006). Retrieved April 11, 2013, from: http://www.flgov.com/wp-content/uploads/childadvocacy/foster%20care%20and%20adoption%20study.pdf.

[4] Reps. Black, Davis, McDermott and Franks Introduce Bipartisan Adoption Tax Credit Refundability Act of 2015. U.S. Congressman Diane Black. Retrieved May 4, 2016, from https://black.house.gov/press-release/reps-black-davis-mcdermott-and-franks-introduce-bipartisan-adoption-tax-credit.

[5] Jim Casey Youth Opportunities Initiative. (n.d.). Retrieved February 3, 2015, from http://www.jimcaseyyouth.org/

[6] Jim Casey Youth Opportunities Initiative. (n.d.). Retrieved February 3, 2015, from http://www.jimcaseyyouth.org/

[7] Fixsen, A. (2011). Children in Foster Care Societal and Financial Costs. *A Family for Every Child*. Retrieved from http://www.afamilyforeverychild.org/Adoption/AFFECreportonchildreninfostercare.pdf

[8] The AFCARS Report: Preliminary FY 2014 Estimates as of July 2015 Data. *U.S. Department of Health and Human Services: Administration for Children and Families*. Adoption and Foster Care Analysis and Reporting System, retrieved February 18, 2016, from: http://www.acf.hhs.gov/programs/cb/resource/afcars-report-22.

[9] Zill, Nicholas. (2011). Adoption from Foster Care: Aiding Children While Saving Public Money. Brookings Institute Center on Children and Families. Retrieved from http://www.brookings.edu/~/media/research/files/reports/2011/5/adoption-foster-care-zill/05_adoption_foster_care_zill.pdf.

[10] Wegmann, P. (2016, January 21). "Meet 4 Pro-Life Lawmakers Who Chose To Adopt." *The Daily Signal*. Retrieved February 19, 2016 from http://dailysignal.com/2016/01/21/meet-4-pro-life-lawmakers-who-chose-to-adopt/.

As a collective group of diverse organizations, representing thousands of waiting children and adoptive families across the country, one of the goals of the ATCWG is to preserve the adoption tax credit as a part of the individual tax code. As laid out above, the adoption tax credit supports families who desire to adopt and children who deserve a permanent family. However, we would be remiss if we did not bring to your attention the fairness that a refundable tax credit creates for American families.

Some families will never be able to adopt without the benefit of the refundable adoption tax credit. Others will adopt but will receive no benefit at all, although they are the very families who need it most, leaving them facing challenges in meeting their children's needs, particularly those children with special needs adopted from foster care.

We are aware of some concerns about fraudulent claims for refundable credits, and we note that the likelihood of that with this credit is incredibly small. As Senator Thom Tillis said, "The chances for that are minimal, because of the nature of the process. And it is not a recurring benefit."[11] Making the adoption tax credit refundable will simply allow the low income and middle class families for whom it was always intended to receive the benefit.

Over time, Congress has made a series of improvements to the adoption tax credit—the vast majority of which were aimed at addressing the fact that many families who adopted from foster care were not able to claim the credit. Data from 2010 and 2011, when the credit was refundable, shows that for the first time in the credit's history, families who adopted children with special needs from foster care were able to benefit like other adoptive families. While we understand the complex budget and tax issues at hand, failure to maintain this progress will undoubtedly result in more children remaining in foster care rather than moving into families. **There are currently nearly 108,000 children in foster care waiting to be adopted**.[12]

As your Committees consider ways to reform and modernize the Internal Revenue Code, we hope that you will consider the ATCWG Executive Committee as a resource for information related to the adoption tax credit. As a group, we have many decades of adoption experience and a comprehensive understanding of how the adoption tax credit benefits children and families, and we would be pleased to provide any additional information to you and your staff. Thank you for your consideration.

Sincerely,

Adoption Tax Credit Working Group Executive Committee:

American Academy of Adoption Attorneys

Adopt America Network

Christian Alliance for Orphans

Congressional Coalition on Adoption Institute (Secretariat)

Dave Thomas Foundation for Adoption

Donaldson Adoption Institute

National Council For Adoption

North American Council on Adoptable Children

RESOLVE: The National Infertility Association

Show Hope

[11] Ota, A. K.. (2015). Conservatives Push to Revive Obamacare Adoption Tax Break. *Adoption Associates*. Retrieved May 4, 2016, from http://www.adoptionassociates.net/news/adoption-tax-credit-update-0.

[12] The AFCARS Report: Preliminary FY 2014 Estimates as of July 2015 Data. *U.S. Department of Health and Human Services: Administration for Children and Families*. Adoption and Foster Care Analysis and Reporting System, retrieved February 18, 2016, from: http://www.acf.hhs.gov/programs/cb/resource/afcars-report-22.

Adoption Tax Credit Working Group:

Lifeline Children's Services, Inc.	Birmingham,	AL
Villa Hope	Birmingham,	AL
Alabama Foster & Adoptive Parent Association	Cullman,	AL
Dillon Southwest	Scottsdale,	AZ
Bal Jagat - Children's World Inc	Long Beach,	CA
AdoptFund, Inc.	Los Angeles,	CA
Family Connections Christian Adoptions	Modesto,	CA
Bay Area Adoption Services	Mountain View,	CA
AASK - Adopt A Special Kid	Oakland,	CA
Pact, An Adoption Alliance	Oakland,	CA
Adoption Law Group	Pasadena,	CA
Across The World Adoptions	Pleasant Hill,	CA
Angels' Haven Outreach	Pleasant Hill,	CA
Independent Adoption Center	Pleasant Hill,	CA
About A Child	Redwood City,	CA
Sierra Forever Families	Sacramento,	CA
Partners for Adoption	Walnut Creek,	CA
The Adoption Exchange	Aurora,	CO
Alpine Adoption, Inc.	Lakewood,	CO
Project 1.27	Littleton,	CO
Adoption Today	Windsor,	CO
Fostering Families Today	Windsor,	CO
Fund Your Adoption		CO
CT Assoc. of Foster and Adoptive Parents	Rocky Hill,	CT
Child Welfare League of America (CWLA)	Washington,	DC
Families for Private Adoption	Washington,	DC
Family & Youth Initiative	Washington,	DC
Family Equality Council	Washington,	DC
Lutheran Services in America	Washington,	DC
Florida State Foster/Adoptive Parent Association	Minneapolis,	FL
The Adoption Consultancy	Brandon,	FL
The Sylvia Thomas Center for Adoptive and Foster Families	Brandon,	FL
Pinellas County Foster and Adoptive Parent Association	Largo,	FL
Beacon House Adoption Services, Inc	Pensacola,	FL
Broward Foster & Adoptive Parent Association	Plantation,	FL
Jewish Adoption and Foster Care Options (JAFCO)	Sunrise,	FL
Georgia Association of Licensed Adoption Agencies	Atlanta,	GA
Georgia Council of Adoption Lawyers	Atlanta,	GA
Illien Adoptions International, Inc.	Atlanta,	GA
Georgia Center for Opportunity	Norcross,	GA
Iowa Foster and Adoptive Parents Assocation	Pleasant Hill,	IA
Idaho Foster and Adoptive Parents Association	Post Falls,	ID
Sunny Ridge Family Center	Bolingbrook,	IL

Adoption ARK, Inc.	Buffalo Grove,	IL
Family Resource Center	Chciago,	IL
Adoption Learning Partners	Evanston,	IL
The Cradle	Evanston,	IL
Lifesong for Orphans	Gridley,	IL
The Adoption Lantern	Wilmette,	IL
Families Thru International Adoption	Evansville,	IN
ACT (Adoption in Child Time)	Indianapolis,	IN
MLJ Adoptions	Indianapolis,	IN
Resources4adoption.com	Eudora,	KS
Adoption & Beyond, Inc.	Overland Park,	KS
Christian Family Services of the Midwest, Inc.	Portland,	KS
American Adoptions		KS
Youthville		KS
All Blessings International, Inc.	Owensboro,	KY
Catholic Charities of the Diocese of Baton Rouge	Baton Rouge,	LA
RainbowKids.com Adoption Advocacy	Harvey,	LA
A Red Thread Adoption Services, Inc.	Norwood,	MA
Wide Horizons For Children	Waltham,	MA
Myriad		MA
Global Adoption Services, Inc.	Bel Air,	MD
Adoptions Together	Silver Spring,	MD
Ascentria		MD
Family Enrichment Center	Battle Creek,	MI
Bethany Christian Services	Grand Rapids,	MI
Adoption Associates, Inc.	Jenison,	MI
Americans for International Aid and Adoption	Troy,	MI
Michigan Association for Foster, Adoptive, and Kinship Parents		MI
Minnesota Foster Care Association	Burnsville,	MN
Evolve	Minneapolis,	MN
My Adoption Advisor, LLC	Minnetonka,	MN
European Children Adoption Services	Plymouth,	MN
Children's Home Society & Family Services	St. Paul,	MN
Individual		MN
National Foster Parent Association		MN
Children's Hope International	St. Louis,	MO
Lutheran Family & Children's Services of Missouri	St. Louis,	MO
New Beginnings International Children's and Family Services	Tupelo,	MS
Creating a Family	Brevard,	NC
Carolina Adoption Services, Inc	Greensboro,	NC
Hopscotch Adoptions, Inc.	High Point,	NC
Christian Adoption Services, Inc.	Matthews,	NC
Children at Heart Adoption Services, Inc.	Wilmington,	NC
Nebraska Foster and Adoptive Parent Association	Lincoln,	NE
New Hope for Children	Newmarket,	NH
Golden Cradle Adoption Services	Cherry Hill,	NJ
Adoption STAR	Amherst,	NY

NYSCCC	Brooklyn,	NY
Baker Victory Services	Lackawanna,	NY
Family Focus Adoption Services	Little Neck,	NY
Adoptive Families magazine	New York,	NY
Adoptive Parents Committee inc	New York,	NY
Helpusadopt.org	New York,	NY
Spence-Chapin	New York,	NY
USAdopt, LLC	New York,	NY
Ashcraft Franklin Young & Peters, LLP	Rochester,	NY
Forever Families Through Adoption, Inc.	Rye Brook,	NY
Michael S. Goldstein, Esq., LCSW	Rye Brook,	NY
Law Office of Barbara Thornell Ginn	Cincinnati,	OH
National Down Syndrome Adoption Network	Cincinnati,	OH
National Center for Adoption Law and Policy	Columbus,	OH
Caring for Kids	Cuyahoga Falls,	OH
Tuscarawas County Job and Family Services	New Philadelphia,	OH
European Adoption Consultants, Inc	Strongsville,	OH
Spirit of Faith Adoptions	Sylvania,	OH
Foster Family-based Treatment Association	Norman,	OK
Dillon International, Inc.	Tulsa,	OK
Journeys of the Heart Adoption Services	Hillsboro,	OR
All God's Children International	Portland,	OR
Oregon Post Adoption Resource Center	Portland,	OR
SPOON Foundation	Portland,	OR
Holt International Children's Services		OR
Together as Adoptive Parents, Inc	Harleysville,	PA
La Vida International	Malvern,	PA
Welcome House Adoption Program of Pearl S Buck International	Perkasie,	PA
The Sparrow Fund	Phoenixville,	PA
Three Rivers Adoption Council	Pittsburgh,	PA
A Chosen Child Adoption Services	Summerville,	SC
Miriam's Promise	Nashville,	TN
Upbring	Austin,	TX
Buckner International	Dallas,	TX
Gladney Center for Adoption	Fort Worth,	TX
Texas Foster Family Association	Pflugerville,	TX
Generations Adoptions	Waco,	TX
ONE CHURCH ONE CHILD OF NORTH/NORTH CENTRAL TX, INC		TX
Families Like Ours, Inc.	Seattle,	TX and WA
Youth Villages, Inc.	Arlington,	VA
The Barker Foundation	Falls Church,	VA
Friends in Adoption	Middletown Springs,	VT
Foster Parents Association of Washington State	Bremerton	WA
Children's House International	Ferndale	WA
Adoption Advocates International	Port Angeles	WA
WACAP (World Association for Children and Parents)	Seattle	WA
Amara	Seattle,	WA

Agape Adoptions	Sumner,	WA
Faith International Adoptions	Tacoma	WA
Lifeline Children's Services, Inc.	Birmingham,	AL

May 26, 2015

The Honorable Charles W Boustany, Jr.
Chairman, House Ways and Means Subcommittee on Tax Policy
1102 Longworth House Office Building
Washington, DC 20515

Dear Chairman Boustany:

Thank you for the opportunity to submit testimony in support of excise tax reform for the alcohol beverage industry as part of your May 12th, 2016 hearing entitled: "Member Day Hearing on Tax Legislation." This important hearing was a great way to allow members of Congress to participate in the process of tax reform.

The Member Day Hearing on Tax Legislation was the third hearing during the second session of the 114th Congress during which there was focus on reform of excise taxes on alcohol beverages. In April, Senators Wyden and Hatch held a hearing on business tax relief in the Senate Finance Committee and the House Small Business Subcommittee on Economic Growth, Tax, and Capital Access held a hearing entitled: "Keep It Simple: Small Business Tax Simplification and Reform, Main Street Speaks." In both hearings, employees of the alcohol beverage industry, and our suppliers testified in favor of reducing excise taxes, highlighting how a reduction would foster economic growth for communities across America.

Congressmen Paulsen, Buck, Reichert, and DeFazio highlighted the issue of excise tax reform for alcohol in their testimony during the hearing two weeks ago. We applaud them for their leadership on this important subject.

Every congressional district in the United States includes a brewery, winery, distillery, importer, or industry supplier. These businesses are often cornerstones of their communities. Unfortunately, outdated regulations and tax laws may impede the growth of these individual businesses.
The alcohol beverage industry remains one of the most regulated industries in America. Brewers, winemakers, and distillers pay state, local and federal taxes on their production. Federal excises taxes, which are regressive taxes, are simply too high. The compromise agreement to H.R.2903 would recalibrate and simplify federal excise taxes for brewers, importers, winemakers, and distillers. It would also update and streamline outdated regulations.

The excise tax relief and regulatory reform embodied in H.R.2903 has support from small and large brewers and importers, winemakers, and distillers, as well as industry suppliers. Additionally, to date, H.R.2903 enjoys the support of 219 House members and 44 Senators. This broad, bipartisan, bicameral

support signifies how important excise tax relief is to many in Congress. We hope that the House and Senate make excise tax relief a priority as they consider tax reform in the 114th Congress.
Sincerely,

Jim McGreevy, President & CEO

Beer Institute

Bob Pease, President & CEO

Brewers Association

Robert P. "Bobby" Koch, President & CEO

Wine Institute

Michael Kaiser, Director of Public Affairs

WineAmerica

Mark Gorman, Senior Vice President

Government Relations

Distilled Spirits Council

Margie A.S. Lehrman, Executive Director

American Craft Spirits Association

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May 25, 2016

RE: Sec179D Energy Efficient Commercial Buildings Deduction Should Be Extended

Dear Chairman Brady, Chairman Boustany, Ranking Member Levin, and Ranking Member Neal:

We are writing to you today in regards to the Subcommittee on Tax Policy's recent member day hearing on tax legislation. We applaud the commitment voiced by Chairman Brady at the hearing to return to a regular order process for consideration of improvements to the tax code. As you seek ways to grow our economy and create jobs, we strongly urge a multi-year extension of the Section 179D tax deduction for energy efficient commercial and multifamily buildings at the earliest opportunity before it expires on December 31, 2016.

Our Company, ECG Engineering PC delivers owner's representation and design services for energy performance contract projects.

Epact has allowed ECG to maintain a staff of 7 employees. Epact has also allowed ECG to invest tens of thousands of dollars into expanding our business to multiple states including Florida, Connecticut, Pennsylvania, and New Jersey. This expansion of ECG's services has resulted in hundreds of thousands of municipal dollars being saved annually through our energy efficiency projects. Our Company's expansion and maintenance of our staff may not have been possible if not for the benefits that epact brought to our business.

As you know, 179D directly supports two national priorities: Job Creation and Energy Independence. 179D was introduced into the tax code with the Energy Policy Act of 2005. It has been extended four times and will expire on December 31, 2016. Since the inception of 179D, it has assisted thousands of building owners and tenants in retaining jobs and increasing profitability; it has also increased job creation in the trades, where energy efficiency retrofits create large numbers of high paying jobs for a labor pool that was particularly impacted by the economic downturn. At the same time, 179D helps reduce our nation's dependence on foreign oil, thereby increasing America's energy security.

Jobs

Energy efficiency projects require enormous skilled and semi-skilled work forces. By cost-justifying projects, EPAct therefore plays a direct role in supporting a major source of employment in our state.

Lighting retrofits require lighting designers, laborers to remove and dispose existing fixtures, distribution centers to store the new lighting material, laborers to stage the new material near the job site and electricians to install the new fixtures.

HVAC retrofits require engineers for project system design, substantial U.S. manufacturing activity (most HVAC equipment is heavy and made in the U.S.), U.S. steel procurement and HVAC mechanics to install.

The building envelope involves a wide variety of manufactured and workshop materials including roofs, walls, windows, doors, foundations and insulation. In addition to the labor required to create these products, large numbers of roofers, carpenters, installers and laborers are needed to handle the material and incorporate it into a building.

In addition, reduced building expenses allow for the retention of jobs on the building owners' end.

Energy Security

Our nation's goal of becoming energy independent cannot be achieved through domestic oil and natural gas production alone. Energy Efficiency is an untapped natural resource. Commercial Buildings represent 20% of our nation's energy use. "Drilling" for building energy efficiency is the least costly natural resource we have. For building owners, the upfront cost of retrofitting is expensive, but with utility and government assistance working together with building owners, energy use reductions between 20% and 50% can be obtained.

Commercial building energy efficiency is a critical way by which utilities can meet newly established national guidelines for carbon emission reductions. By improving the cost benefit equation of an energy efficiency retrofit, Section 179D thereby plays an important role in helping utilities comply with national policy while simultaneously reducing the need for the construction of costly new power plants.

Looking Ahead

Today, taxpayers and industry understand how to prospectively use 179D to achieve the greatest possible energy reduction far better than they did eight years ago. This extension will empower our country to realize major energy efficiency gains and will not represent a material cost to Treasury. With the use of dynamic scoring the efficiency gains will increase taxable income over time for commercial building owners, and thereby reducing Treasury's losses from accelerating the depreciation. The tax collected from added profits obtained through energy savings quickly outweigh the foregone tax revenue created by 179D.

Conclusion

Section 179D supports a key investment in the American economy: energy efficiency. Energy efficiency is a force-multiplying investment that saves energy, saves money, and sustains and creates American jobs. Comprehensive energy efficiency upgrades drastically improve the reliability and performance of the nation's building stock, while reducing demand on our energy supply. We urge you to include multi-year extension of EPAct 179D in upcoming legislation.

Sincerely,

Kendra McQuilton

Kendra McQuilton
Director of Business Development

Subject: RE: Sec179D Energy Efficient Commercial Buildings Deduction Should Be Extended

Dear Chairman Brady, Chairman Boustany, Ranking Member Levin, and Ranking Member Neal:

We are writing to you today in regards to the Subcommittee on Tax Policy's recent member day hearing on tax legislation. We applaud the commitment voiced by Chairman Brady at the hearing to return to a regular order process for consideration of improvements to the tax code. As you seek ways to grow our economy and create jobs, we strongly urge a multi-year extension of the Section 179D tax deduction for energy efficient commercial and multifamily buildings at the earliest opportunity before it expires on December 31, 2016.

For EcoTech Solutions, which employs over 20 people in New Jersey, New York, Georgia, Florida and Texas, our numerous strategic partners and our entire client base, the extension of 179D is imperative for continued company growth, improved financial wellbeing as well as the difference between a project to install energy efficient measures being approved or denied. 179D has enabled EcoTech Solutions to increase its number of employees as our projects financial viability have increased dramatically due to the tax incentives. Projects, which have been completed or approved thanks to 179D include:

Clients:	***Project:***	***Value:***
Pasbjerg Development	*Stafford Square*	*$165,000.00*
Steve Kalifer	*Clinton Honda*	*$120,000.00*
Philadelphia Federal Credit Union	*PFCU Headquarters*	*$142,000.00*
Best Markets	*Long Island 28 stores*	*$5,600,000*
Shoprite	*Shoprite of Carteret, NJ*	*$150,000.00*
Food Circus	*Foodtown 4 locations*	*$800,000.00*
*Volkswagen Group of America**	*Cranbury, NJ Distribution Center*	*$650,000.00*
*RJR Holding**	*Seagram Building*	*$1,045,000*
*Avison Young**	*Waterfront Center, Port Chester, NY*	*$361,000.00*
Food Circus	*Ocean, Red Bank, Atlantic Highlands, NJ*	*$510,000.00*
*Monmouth Race Track**	*Monmouth Park*	*$392,000.00*
Parx Casino	*Pennsylvania*	*$500,000.00*
Evintron / LIT	*54 Nursing Homes Texas*	*$2,160,000*

**Pending*

Jobs

Energy efficiency projects require enormous skilled and semi-skilled work forces. By cost-justifying projects, EPAct therefore plays a direct role in supporting a major source of employment in our state.

Lighting retrofits require lighting designers, laborers to remove and dispose existing fixtures, distribution centers to store the new lighting material, laborers to stage the new material near the job site and electricians to install the new fixtures.

HVAC retrofits require engineers for project system design, substantial U.S. manufacturing activity (most HVAC equipment is heavy and made in the U.S.), U.S. steel procurement and HVAC mechanics to install.

The building envelope involves a wide variety of manufactured and workshop materials including roofs, walls, windows, doors, foundations and insulation. In addition to the labor required to create these products, large numbers of roofers, carpenters, installers and laborers are needed to handle the material and incorporate it into a building.

In addition, reduced building expenses allow for the retention of jobs on the building owners' end.

Energy Security

Our nation's goal of becoming energy independent cannot be achieved through domestic oil and natural gas production alone. Energy Efficiency is an untapped natural resource. Commercial Buildings represent 20% of our nation's energy use. "Drilling" for building energy efficiency is the least costly natural resource we have. For building owners, the upfront cost of retrofitting is expensive, but with utility and government assistance working together with building owners, energy use reductions between 20% and 50% can be obtained.

Commercial building energy efficiency is a critical way by which utilities can meet newly established national guidelines for carbon emission reductions. By improving the cost benefit equation of an energy efficiency retrofit, Section 179D thereby plays an important role in helping utilities comply with national policy while simultaneously reducing the need for the construction of costly new power plants.

Looking Ahead

Today, taxpayers and industry understand how to prospectively use 179D to achieve the greatest possible energy reduction far better than they did eight years ago. This extension will empower our country to realize major energy efficiency gains and will not represent a material cost to Treasury. With the use of dynamic scoring the efficiency gains will increase taxable income over time for commercial building owners, and thereby reducing Treasury's losses from accelerating the depreciation. The tax collected from added profits obtained through energy savings quickly outweigh the foregone tax revenue created by 179D.

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Section 179D supports a key investment in the American economy: energy efficiency. Energy efficiency is a force-multiplying investment that saves energy, saves money, and sustains and creates American jobs. Comprehensive energy efficiency upgrades drastically improve the reliability and performance of the nation's building stock, while reducing demand on our energy supply. We urge you to include multi-year extension of EPAct 179D in upcoming legislation.

Sincerely,

Gregory A Shiffner

President

American Gas Association

Edison Electric INSTITUTE

NEI NUCLEAR ENERGY INSTITUTE

May 23, 2016

The Honorable Charles Boustany
Chairman, House Ways & Means
Tax Policy Subcommittee
U.S. House of Representatives
Washington, DC 20515

The Honorable Richard Neal
Ranking Member, House Ways & Means
Tax Policy Subcommittee
U.S. House of Representatives
Washington, DC 20515

Dear Chairman Boustany and Ranking Member Neal:

On behalf of the member companies of the American Gas Association (AGA), the Edison Electric Institute (EEI), and the Nuclear Energy Institute (NEI), we want to thank you for holding the May 12th hearing on Member proposals for improvements to the U.S. tax system and for the opportunity for us to be able to provide comments. Specifically, we want to express our strong support for H.R. 4016, introduced by Representatives Erick Paulsen and Mike Thompson, that would amend the Internal Revenue Code of 1986 to extend the limitation on the carryover of excess corporate charitable contributions. By increasing the 5-year carryover period for charitable contributions to 20 years, the legislation eliminates the penalty present in current law that is particularly problematic for regulated utilities.

Under current law, Internal Revenue code section 170(d)(2) provides that the deduction for charitable contributions is limited to 10 percent of a corporate taxpayer's taxable income for the year. Subparagraph (A) of this paragraph allows any excess deduction above this 10 percent limit to be carried forward, but limits this carryover period to 5 years after the contribution year, after which the deduction expires.

Unfortunately, there is a penalty present in current law that is particularly problematic for regulated companies such as electric and gas utilities, which are arguably the most capital intensive industries in the country. Currently on heavy build cycles, many utilities have entered into significant net operating losses (NOLs) for several years. The existence of these NOLs and NOL carryovers has reduced or eliminated the ability to utilize charitable deductions from year to year, resulting in charitable deduction carryovers each year.

The 5-year limit on charitable deduction carryovers stands in contrast to the general rule applicable to other business deductions, which, as net operating losses, may be carried forward up to 20 years.

Longstanding, well-intended U.S. tax policy rightly supports tax benefits for charitable contributions. The current limited tax carryover period of 5 years creates an unintended, punitive economic disincentive that will limit current and future charitable contributions by corporations. H.R. 4016 extends the charitable contribution carryover to align this period with the 20 years available for general business deductions, a policy change that is needed to avoid the unintended consequence of a permanent loss of tax benefits and disincentive for charitable giving by corporations.

Sincerely,

American Gas Association
Edison Electric Institute
Nuclear Energy Institute

encentivenergy

Subject: RE: Sec179D Energy Efficient Commercial Buildings Deduction Should Be Extended

Dear Chairman Brady, Chairman Boustany, Ranking Member Levin, and Ranking Member Neal:

We are writing to you today in regards to the Subcommittee on Tax Policy's recent member day hearing on tax legislation. We applaud the commitment voiced by Chairman Brady at the hearing to return to a regular order process for consideration of improvements to the tax code. As you seek ways to grow our economy and create jobs, we strongly urge a multi-year extension of the Section 179D tax deduction for energy efficient commercial and multifamily buildings at the earliest opportunity before it expires on December 31, 2016.

Our Company, Encentiv Energy Inc, currently employs 19 full time employees and interns in Pittsburgh Pennsylvania. Encentiv assists customers throughout the energy efficient project lifecycle: Researching and calculating estimates of available local and regional incentives in more than 2,000 utilities and cooperatives across the US prior to project sale/start; offering financing options for those projects; assisting in capturing incentives when the project is complete and closing out the cycle by quantifying 179D tax deductions.

The renewal of 179D for 2015 and the expanded availability through 2016 has enabled us to offer a full suite of supportive energy efficiency services to our client base, consisting of commercial/industrial customers who purchase and implement energy efficient measures, trade allies who perform equipment installation, manufacturers who build and distribute the equipment, and utilities who are required to reduce the amount of electricity used by stakeholders.

Many of our customers are not familiar with Section 179d, and were not aware that there even are tax benefits to their energy reduction efforts. Not only has the extension benefitted Encentiv Energy in terms of expanded product offerings and company growth, but it has also benefitted many of our customers directly. Examples include but are not limited to:

- Erie PA industrial manufacturer: $1.3M in deductions resulting from lighting and HVAC improvements, which then funded the implementation of additional energy saving measures throughout the facility

- Lexington, KY lighting manufacturer: Included 179D deductions in project proposals to 90+ customers to date in 2016. This expansion of offered services provides them an opportunity to not only sign new customers, but also to reach out to past customers and fund new projects with the resulting proceeds.

As you know, 179D directly supports two national priorities: Job Creation and Energy Independence. 179D was introduced into the tax code with the Energy Policy Act of 2005. It has been extended four times and will expire on December 31, 2016. Since the inception of 179D, it has assisted thousands of building owners and tenants in retaining jobs and increasing profitability; it has also increased job creation in the trades, where energy efficiency retrofits create large numbers of high paying jobs for a labor pool that was particularly impacted by the economic downturn. At the same time, 179D helps reduce our nation's dependence on foreign oil, thereby increasing America's energy security.

Jobs

Energy efficiency projects require enormous skilled and semi-skilled work forces. By cost-justifying projects, EPAct therefore plays a direct role in supporting a major source of employment in our state.

Lighting retrofits require lighting designers, laborers to remove and dispose existing fixtures, distribution centers to store the new lighting material, laborers to stage the new material near the job site and electricians to install the new fixtures.

HVAC retrofits require engineers for project system design, substantial U.S. manufacturing activity (most HVAC equipment is heavy and made in the U.S.), U.S. steel procurement and HVAC mechanics to install.

The building envelope involves a wide variety of manufactured and workshop materials including roofs, walls, windows, doors, foundations and insulation. In addition to the labor required to create these products, large numbers of roofers, carpenters, installers and laborers are needed to handle the material and incorporate it into a building.

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Energy Security

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1501 Ardmore Blvd, Suite 102
Pittsburgh, PA 15221
855-896-0568
www.encentivenergy.com

Looking Ahead

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Our Company, Energy Efficiency Pros LLC, a small business which has struggled to grow has used Tax Code 179D to help our clients realize the benefits of lowering their energy footprint in 2016. Because this tax code was extended before the year began it has helped us to definitively show the value of moving forward which we lacked the ability to do in 2014 and 2015. The results of having this extension early are an increase in sales by more than 100%. This increase is allowing us to employee new people and at the same time reduce the demand on our local power grid with cleaner safer products for our environment.

As you know, 179D directly supports two national priorities: Job Creation and Energy Independence. 179D was introduced into the tax code with the Energy Policy Act of 2005. It has been extended four times and will expire on December 31, 2016. Since the inception of 179D, it has assisted thousands of building owners and tenants in retaining jobs and increasing profitability; it has also increased job creation in the trades, where energy efficiency retrofits create large numbers of high paying jobs for a labor pool that was particularly impacted by the economic downturn. At the same time, 179D helps reduce our nation's dependence on foreign oil, thereby increasing America's energy security.

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Don Arrigo – President
Energy Efficiency Pros LLC
16650 N 91st St. #107
Scottsdale, AZ 85260

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Our Company, Energy Harness Corporation, a Florida based LED lighting manufacturer with 16 employees, depends on the 179D for many of our projects. We have supplied more than 60 lighting projects throughout the Midwest in the past 12 months, many of which would not have taken place had our customers not been able to utilize the 179D. In addition, we have found the 179D extremely useful in the expansion of our own factory and headquarters.

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Sincerely,

Peter J. Lehrer

Senior Vice President for Project Development
Energy Harness Corporation 71 Mid Cape Terrace Cape Coral, Florida 33991

Energy Solutions Professionals

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May 26, 2016

Subject: RE: Sec179D Energy Efficient Commercial Buildings Deduction Should Be Extended

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Our Company, Energy Solutions Professionals, LLC, is an energy services company based in the Midwest that currently employees 10 people. We assist a wide variety of clients with energy efficient improvements to their properties, including school districts, colleges and universities, municipalities, hospitals, water treatment plants, and commercial property managers. The benefits of Section 179D deductions not only make projects more attractive to our clients and to our company, but those deductions allow for the scopes of our projects to increase, meaning that our clients save additional energy and benefit from even more new equipment. Additionally, because of 179D, it is easier for us to grow our company and add new staff, which we are currently in the process of doing.

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Sincerely,

Energy Solutions Professionals, LLC

ETAGEN

May 26, 2016

The Honorable Kevin Brady
Chairman
House Committee on Ways and Means
1102 Longworth House Office Building
Washington, D.C. 20515

The Honorable Charles Boustany
Chairman
House Subcommittee on Tax Policy
1102 Longworth House Office Building
Washington, D.C. 20515

The Honorable Sander Levin
Ranking Member
House Committee on Ways and Means
1106 Longworth House Office Building
Washington, D.C. 20515

The Honorable Richard Neal
Ranking Member
House Subcommittee on Tax Policy
1106 Longworth House Office Building
Washington, D.C. 20515

Dear Chairman Brady, Chairman Boustany, Ranking Member Levin, and Ranking Member Neal:

Thank you for holding the recent Ways and Means Tax Policy Subcommittee member day hearing on tax legislation. As Congress considers ways to improve the tax code, we encourage you to address the distortive effects of the current incentives for energy, which pick "winners" and "losers" among similarly-situated taxpayers and technologies. In particular, we urge your support for **H.R. 5289, the Energy Tax Fairness Act**, which would help level the playing field for the highest-performing distributed generation technologies currently in the marketplace. **Grover Norquist, the President of Americans for Tax Reform, has said that "H.R. 5289 represents a chance for Congress to promote competition and increase parity in the tax code until broad-based tax reform can be achieved.[1]"**

EtaGen is one of a number of innovative U.S. companies that have developed revolutionary linear generation technology to transform natural gas into electricity more efficiently than almost **any** competing power source. Linear generators can be installed on-site to provide businesses and families with clean, reliable, and resilient power that runs through grid outages, at a fraction of the cost of existing distributed generation solutions. This technology offers a compelling new way to take advantage of America's abundant natural gas resources, enhance our energy security, and deliver real benefits for the environment and American consumers.

Despite the low costs and high efficiency that linear generators offer, EtaGen and the other U.S. companies that are working to bring this innovative technology to market are at a competitive disadvantage because linear generators do not currently qualify for an investment tax credit (ITC) under section 48 of the Tax Code — unlike competing technologies. This omission is not the result of any considered policy judgment, but rather a function of the technology-specific way in which the energy provisions of the Tax Code are drafted. At the time of the last significant revision of these provisions in 2008, our technology was not yet commercially viable. However, now that it is, eligibility for an ITC is critical to leveling the playing field for EtaGen and our peer companies and enabling us to compete fairly with established incumbents.

H.R. 5289 would not add to the list of energy tax incentives, but would simply update section 48 to include linear generators among the list of technologies eligible for the current ITC. This modest revision would put linear generators, and the would-be taxpayers that deploy such a solution, on equal footing with their competitors from a tax perspective, allowing for open competition on the merits.

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[1] See attached letter from Americans for Tax Reform, May 23, 2016.

Championed by Representatives Steve Stivers (R-OH) and Jackie Speier (D-CA), this legislation has bipartisan support, including from Ways and Means Committee member Tom Reed (R-NY). It also has the support of energy and tax policy stakeholders, as mentioned, including Americans for Tax Reform and TechNet.

EtaGen understands that some witnesses at the recent member day hearing called for an extension of the section 48 ITC for certain currently-eligible technologies. Such an extension, without the modifications that would be made by H.R. 5289, would perpetuate the distortive effects and inequity of our current energy tax policy. Enacting H.R. 5289 provides a better path forward, one that will create jobs, grow our economy, and promote fairness, competition, and *parity* in the marketplace. H.R. 5289, the Energy Tax Fairness Act, is a modest but critical policy improvement and I strongly urge you to advance it at the earliest possible opportunity.

Thank you for your consideration. We look forward to working with you to ensure that tax incentives for energy deliver the greatest possible benefit for the American people.

Sincerely,

Pierson Stoecklein
Senior Government Affairs Manager & Legal Counsel

EtaGen, Inc.
186 Constitution Drive
Menlo Park, CA 94025

AMERICANS *for* TAX REFORM

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May 23, 2016

The Honorable Orrin Hatch
Senate Finance Committee
219 Dirksen Senate Office Building
Washington, D.C. 20510

The Honorable Ron Wyden
Senate Finance Committee
219 Dirksen Senate Office Building
Washington, D.C. 20510

The Honorable Kevin Brady
House Ways & Means Committee
1102 Longworth House Office Building
Washington, D.C. 20515

The Honorable Sander Levin
House Ways & Means Committee
1102 Longworth House Office Building
Washington, D.C. 20515

Dear Chairman Hatch, Chairman Brady, Ranking Member Wyden, and Ranking Member Levin:

Americans for Tax Reform (ATR) urges your support of H.R. 5289, the Energy Tax Fairness Act. It is no secret provisions in the tax code, especially those relating to energy, effectively allow the government to pick winners and losers in the market. Such favoritism in the tax code should be addressed through broad-based tax reform, but until that time Congress can take steps to promote competition and increase parity in the tax code as it exists. H.R. 5289 would achieve both of these goals.

H.R. 5289 would not add to the current list of energy tax incentives in the code, but would create parity in the code for other participants in the distributed generation market. Currently, distributed generation technologies such as solar, fuel cells, and microturbines, receive certain investment credits. This has the effect of putting other distributed generation technology, such as linear generators, at a competitive disadvantage.

Linear generators can produce electricity from almost any fuel source, such as natural gas and biomass, at a level of reliability unrivaled by current technologies receiving credits such as solar. By making linear generators eligible for existing provisions that are already available to less productive generation techniques, lawmakers can begin to promote competition and level the energy playing field.

H.R. 5289 represents a chance for Congress to promote competition and increase parity in the tax code until broad-based tax reform can be achieved.

I urge you to support and vote for H.R. 5289, the Energy Tax Fairness Act.

Sincerely,

Grover G. Norquist
President
Americans for Tax Reform

Statement of the Geothermal Energy Association

Submitted for the Record of the Hearing May 12, 2016

House Ways and Means Tax Policy Subcommittee

Washington, DC

Dear Chairman Boustany,

Geothermal power was left out when Congress passed longer-term tax incentive legislation as part of the PATH Act of 2015. This was an unfortunate oversight for the Nation's energy future. Developing our Nation's geothermal potential is an investment in learning how to tap an enormous resource. To achieve this, longer-term, predictable incentives are needed to spur innovation, allow fair competition and boost new geothermal power growth.

New geothermal power plants that commence construction by December 31, 2016 can qualify for the Production Tax Credit or a 30% Investment Tax Credit. Geothermal power seeks parity under Section 48 with solar whose 30% ITC was extended for beginning construction by 2019 and phasing out through 2023. Without a leveling of this playing field for renewables geothermal cannot compete fairly.

Utility-scale geothermal has historically been part of the Section 48 Investment Tax Credit ("ITC") along with solar. The Energy Policy Act of 2005 expanded the renewable technologies that were eligible for tax credits, and made them available to both new solar and geothermal facilities through either a 30% ITC or a 1.8 cent/kWhr Production Tax Credit ("PTC"). In 2009, ARRA eliminated this distinction by providing geothermal developers the option of claiming a 30% ITC and having it paid in cash, in lieu of the Section 45 Production Tax Credit. During this time, many developers found that utilization of the 30% ITC was preferable to the PTC.

Both types of credits helped spur growth and innovation in the US geothermal power industry:

- From 2006 to 2014, 34 geothermal power projects were completed in the United States, adding 678 MW of new capacity to the grid and growing the national industry by about 20%. This involved about $3 billion in new investment, bringing economic development to rural areas of the West.
- This period of growth also spurred innovation. 2006 to 2014 saw the installation of a new advanced technology flash plant, the first triple flash plants, new solar/geothermal hybrid plant, binary (ORC) power plants utilizing new, more efficient technology, distributed power generation with building heating system, and co-produced power from oil/gas wells.
- From 2006-2014 the number of states producing geothermal power doubled. Alaska, California, Hawaii, Idaho, Nevada, New Mexico, North Dakota, Oregon and Utah are all geothermal power producers today.

In 2009, Congress also extended the credit for new solar facilities by eight years to accommodate their long lead-times. Unfortunately, it did not provide the same time extension to utility-scale geothermal power plants. Instead, geothermal tax credits were extended in several short interval time periods over this time period. Because geothermal facilities can take 5-7 years from beginning of drilling to commercial production, the effectiveness of the geothermal tax credits in the most recent years has been limited by the uncertainty created by the short tax credit extensions that have been enacted.

Extending geothermal power the 30% ITC on the same terms as solar will stimulate new development by providing a longer-term incentive with a gradual phase out.   This will have many benefits, including:

Jobs: In addition to producing many drilling and construction jobs, geothermal power plants employ more permanent, on-site, full-time employees per unit produced than other renewable generation sources - about 2.13 persons per MW in the US. And in addition, consume more supplies and materials that increase the indirect jobs associated with geothermal power plants.

Economy Boost: In the US, over the course of 30 to 50 years an average 20 MW facility will pay nearly $6.3 to $11 million dollars in property taxes plus $12 to $22 million in annual royalties. Seventy-five percent of these royalties ($9.2 to $16.6M) go directly back to the state and county. Geothermal power plants are often located in rural, economically challenged areas and provide a significant economic input to the community.

Locally Produced: Geothermal power can offset electricity currently imported, keeping jobs and benefits in local communities.

Near-Zero Emissions: Binary geothermal plants – the most common in the US – produce near-zero emissions.

Small Footprint: Geothermal has among the smallest surface land footprint per kilowatt (kW) of any power generation technology.

Baseload Reliability: Geothermal power provides consistent electricity throughout the day and year – continuous baseload power and flexible power to support the needs of variable renewable energy resources, such as wind and solar. No high cost backup or firming power is needed. Geothermal also provides the most efficient use of existing transmission infrastructure and provides grid stability.

Sustainable Investment: Energy resource decisions made now for sources of electric power have 40-50 year consequences, or longer. Using renewables like geothermal resources avoids "price spikes" inherent in fuel resource markets. Geothermal energy is an investment in stable, predictable costs. Investing in geothermal power now, pays off for decades to come.

The PATH Act extended Section 48’s 30% Investment Tax Credit for solar technologies beginning construction by 2019 and phasing out through 2023. Geothermal often competes with solar, particularly in states that have adopted renewable portfolio standards (RPS). Congress did not intend to legislate solar as the marketplace winner, which we are concerned may be the result if the current ITC imbalance is not addressed. Thus we urge the Committee to support parity between solar and geothermal. It would be fair, would engender healthy competition, and would encourage continued innovation in these technologies.

Submitted by:

Geothermal Energy Association

209 Pennsylvania Ave SE

Washington, DC 20003

Phone: 202-454-5261

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Dear Chairman Brady, Chairman Boustany, Ranking Member Levin, and Ranking Member Neal:

We are writing to you today in regards to the Subcommittee on Tax Policy's recent member day hearing on tax legislation. We applaud the commitment voiced by Chairman Brady at the hearing to return to a regular order process for consideration of improvements to the tax code. As you seek ways to grow our economy and create jobs, we strongly urge a multi-year extension of the Section 179D tax deduction for energy efficient commercial and multifamily buildings at the earliest opportunity before it expires on December 31, 2016.

Our Company, Havtech Inc, an applied HVAC manufacturer's representative and engineering/energy conservation firm, with over 130 employees in the state of Maryland has been heavily involved in the reduction of energy consumption in many public facilities . These facilities consist mainly of public schools where our company, through energy saving recommendations, and use of energy saving equipment/systems, has been able to assist the state and counties with significant reduced operating costs, large energy consumption reductions, and large decreases in carbon foot print. The 179D program has been instrumental in allowing us to offer the public school systems extremely competitive energy solutions, that would not have been possible otherwise. Without the 179D program at least 70-80 percent of the projects we have done would not have been economically viable. Significant projects that Havtech has seen through completion with great success for the 179D program include North East High School, Watkins Mill High School, and Diamond Elementary School-in the state of Maryland.

As you know, 179D directly supports two national priorities: Job Creation and Energy Independence. 179D was introduced into the tax code with the Energy Policy Act of 2005. It has been extended four times and will expire on December 31, 2016. Since the inception of 179D, it has assisted thousands of building owners and tenants in retaining jobs and increasing profitability; it has also increased job creation in the trades, where energy efficiency retrofits create large numbers of high paying jobs for a labor pool that was particularly impacted by the economic downturn. At the same time, 179D helps reduce our nation's dependence on foreign oil, thereby increasing America's energy security.

Jobs

Energy efficiency projects require enormous skilled and semi-skilled work forces. By cost-justifying projects, EPAct therefore plays a direct role in supporting a major source of employment in our state. Lighting retrofits require lighting designers, laborers to remove and dispose existing fixtures, distribution centers to store the new lighting material, laborers to stage the new material near the job site and electricians to install the new fixtures. HVAC retrofits require engineers for project system design, substantial U.S. manufacturing activity (most HVAC equipment is heavy and made in the U.S.), U.S. steel procurement and HVAC mechanics to install. The building envelope involves a wide variety of manufactured and workshop materials including roofs, walls, windows, doors, foundations and insulation. In addition to the labor required to create these products, large numbers of roofers, carpenters, installers and laborers are needed to handle the material and incorporate it into a building. In addition, reduced building expenses allow for the retention of jobs on the building owners' end.

Energy Security
Our nation's goal of becoming energy independent cannot be achieved through domestic oil and natural gas production alone. Energy Efficiency is an untapped natural resource. Commercial Buildings represent 20% of our nation's energy use. "Drilling" for building energy efficiency is the least costly natural resource we have. For building owners, the upfront cost of retrofitting is expensive, but with utility and government assistance working together with building owners, energy use reductions between 20% and 50% can be obtained. Commercial building energy efficiency is a critical way by which utilities can meet newly established national guidelines for carbon emission reductions. By improving the cost benefit equation of an energy efficiency retrofit, Section 179D thereby plays an important role in helping utilities comply with national policy while simultaneously reducing the need for the construction of costly new power plants.

Looking Ahead
Today, taxpayers and industry understand how to prospectively use 179D to achieve the greatest possible energy reduction far better than they did eight years ago. This extension will empower our country to realize major energy efficiency gains and will not represent a material cost to Treasury. With the use of dynamic scoring the efficiency gains will increase taxable income over time for commercial building owners, and thereby reducing Treasury's losses from accelerating the depreciation. The tax collected from added profits obtained through energy savings quickly outweigh the foregone tax revenue created by 179D.

Conclusion
Section 179D supports a key investment in the American economy: energy efficiency. Energy efficiency is a force-multiplying investment that saves energy, saves money, and sustains and creates American jobs. Comprehensive energy efficiency upgrades drastically improve the reliability and performance of the nation's building stock, while reducing demand on our energy supply. We urge you to include multi-year extension of EPAct 179D in upcoming legislation.

Sincerely,
HAVTECH INC.
Norm Long
Norm Long, PE
President

HISTORIC
TAX CREDIT
COALITION

May 26, 2016

The Honorable Charles Boustany
United States House of Representatives
Washington, DC 20515

The Honorable Richard Neal
United States House of Representatives
Washington, DC 20515

Chairman Boustany and Representative Neal,

Thank you for holding the hearing entitled, "Member Proposals for Tax Legislation" on May 12, 2016. At the beginning of that hearing you both noted your support for H.R. 3846, The Historic Tax Credit Improvement Act ("HTCIA"), which the Historic Tax Credit Coalition ("Coalition") greatly appreciates, along with your long and steadfast support of the Section 47 Historic Tax Credit ("HTC") program.

The Coalition consists of 65 private sector firms including developers, investors, syndicators, accountants and lawyers who use the federal HTC to make historic rehabilitation happen. We are dedicated to modernizing the credit, conducting research on its economic impact and educating public officials at all levels about its importance to future of America's towns and cities. (See www.historiccredit.com for a list of members and details on activities.)

Congressmen Mike Kelly and Earl Blumenauer, both members of your committee, introduced the HTCIA and there are currently 39 cosponsors, 14 of which sit on the Ways and Means Committee. Again, the Coalition thanks you for being two of those 39.

When looking at the HTC and its great success over the last 40 years, which is detailed below, there is also a sense in the preservation community that the credit can be improved. The entire industry has worked with our dedicated champions on your committee to develop a bill to reform and modernize the HTC.

The bill before the Committee today would make it easier to use the credit on smaller buildings in Main Street communities, give nonprofit-sponsored projects a better chance to claim the credit and change some outdated and unnecessary rules. We very much hope that the Committee will closely study this proposal and work with us to pass any reforms we can in this Congress and beyond to ensure the full benefit of the HTC is felt in cities and towns across the country.

While some provisions in the bill may be longer-term and larger-scale reforms, we believe that there are others that can be enacted this year to improve the efficiency and economic impact of the HTC. A section-by-section summary of the bill is attached as an Appendix. We hope you will work with us and the champions of HR 3846 to enact some simple reforms.

Additionally, the Coalition would like to take this opportunity to remind the Committee of the enormously positive impact the HTC has had in the communities where it has been used over its lifetime. Should the Committee consider tax reform, we would urge you to focus on the positive economic impact this credit has had on the US economy. Because of the HTC's proven job creation track record, this relatively shallow incentive always generates more in federal payroll taxes than it costs the Treasury.

This letter includes a number of data points and references to reports. Appendix B contains links to all relevant reports.

HTC Basics

The federal Historic Tax Credit as we know it today was enacted in 1981 as a bi-partisan effort of the Ronald Reagan Administration and a Democratically-controlled Congress to stimulate the American economy struggling to emerge from a deep recession. This legislation greatly expanded a modest 10% historic property credit enacted in 1976. It was seen as a way to even the playing field for private investment and better balance the flow of real estate capital between new construction and existing buildings. The HTC was part of a broader package of incentives to promote economic growth. The initial legislation put a 25% credit in place for certified historic rehab, a 20% credit for non-residential buildings at least 40 years old and a 15% credit for non-residential buildings at least 30 years old.

The 1981 law was retained and modified as part of the 1986 Tax Reform Act to 20% and 10% credits for historic and non-historic older buildings respectively. HTC-eligible properties under today's law must be income producing and depreciable. Owner-occupied properties are not eligible. The program is jointly administered by the National Park Service (from application to placement in service) and the Internal Revenue Service (for tax compliance) and is codified under Section 47 of the IRC.

Historic Tax Credits drive investment to low-income neighborhoods. Since 2002, nearly 60 percent of all projects have been in low/moderate income (80% of area median) census tracts. These new investments are often catalytic, starting a cycle of economic revitalization, encouraging additional investments, raising property values and creating a safer and more secure living and business environment.

The federal HTC has been so successful in encouraging catalytic historic rehab, 35 states have enacted complementary state historic tax credit statutes that allow investors to use the same cost basis to offset state income, franchise or premiums taxes. Applications for both credits are handled efficiently by the State Historic Preservation Offices, which generally operate with regulations that are in sync with federal HTC requirements. State

HTC proceeds are helpful in further closing financing gaps, but not a replacement for the federal HTC incentive.

Economic Impact of the HTC

Rutgers University's Center for Urban Policy Research has been publishing reports on the economic impact of the federal HTC for the last six years. Its latest report *The Economic Impacts of the Federal Historic Tax Credit-FY 2014* shows that the HTC has leveraged more than $117.6 billion in private investments over its 40-year history, more than 5 times the $23.1 billion in credits allocated by the National Park Service. A total of 41,250 buildings have been put back into commerce. These and related statistics below are generated by the *Preservation Economic Impact Model* (PEIM), developed for the National Park Service by Rutgers University in 2004 to measure the economic benefits of historic rehabilitation.

The Rutgers economic impact report estimates that the federal historic tax credit has created more than 2.3 million full-time equivalent construction and permanent jobs. Historic rehab generates high-skilled, good-paying jobs that include specialty trades such as plastering, paint restoration, historic floor and roof rehabilitation, fine woodworking and refinishing, historic window repair and wallpapering.

Historic rehabilitation generates more jobs than new construction. Research by economist Donavan Ripkema in *Dollars and Sense of Historic Preservation* found that in the typical new construction project, 50 percent of the costs are generated by materials and 50 percent are attributable to labor. He found that historic rehabilitation projects are more labor intensive with 60-70 percent of the costs generated by labor and 30-40 percent by the purchase of materials. Rutgers research for the National Park Service indicates that local and home state economies capture an exceptionally high 75% of the economic benefits of historic rehab because labor and materials are more often purchased locally than with the typical new construction project.

There are few older towns and cities in the United States that have not discovered the economic potential of historic rehabilitation Those that have maximized the adaptive reuse of their historic structures--cities like San Antonio, Richmond, New Orleans, Seattle, Cleveland, Philadelphia, St. Louis, and Baltimore--have experienced remarkable economic rebirth over the past 30 years.

The HTC is a Model Credit

The HTC has also proven itself to be an efficient use of federal dollars. The cumulative cost of the credit has been $23.1 billion over the life of the program. However, according to the on-going work of Rutgers for the National Park Service, the federal HTC has generated nearly $28.1 billion in direct federal tax revenue primarily from income taxes on wages paid to workers at construction sites, materials manufacturers and in the retail and service sectors as historic rehab expenditures ripple through the economy.

The Coalition believes that any economic incentive program that more than pays for itself should remain a part of the federal tax code. In addition, because the credit is paid in full only upon the building's placement in service, most of the HTC-related revenue generated for the Treasury is received before the credit is paid out to the investor– exactly the way a tax credit meant to spur economic activity should be structured. If the building is never completed, there is no credit awarded. If the building is an economic failure during its 5-year compliance period, there is a pro-rata recapture of the federal benefits.

The HTC's relative efficiency is also demonstrated by its exceedingly low recapture rate. A recapture study done by Novogradac and Co. (see link below) indicates that the cumulative recapture rate of the HTC over the 2001-2011 measuring period was just .73% reflecting a better than 99% project success rate. This measuring period includes the great recession.

Its efficiency is also reflected in the high transfer pricing of the federal HTC. Corporate investors typically pay between $.95 and $.99 per tax credit dollar for the LLC or LP ownership interests that allow them to claim the credits. Other investor tax benefits include any taxable losses generated by depreciation. Investors also earn an upside from operating cash flow.

<u>Conclusion</u>
Again, as a Coalition, we want to thank you for holding this important hearing and considering ways to improve the Tax Code. We look forward to working with you on this and other issues to come.

Sincerely,

John Leith-Tetrault

John Leith-Tetrault
Chairman, Historic Tax Credit Coalition
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Appendix A – Section-by-Section Summary

HISTORIC TAX CREDIT IMPROVEMENT ACT OF 2015 (H.R.3846/S.2655) SECTION-BY-SECTION SUMMARY

SUMMARY

The Historic Tax Credit Improvement Act (H.R.3846/S.2655) makes long overdue changes to the Historic Tax Credit (IRC § 47) to further encourage building reuse and redevelopment in small, midsize, and rural communities. It also makes the rehabilitation of community projects like theaters, libraries, and schools easier while maximizing the impact of state historic tax credits. Finally, the bill would make more historic properties eligible to use the credit by updating program requirements to reflect current industry practices. These reforms would be the first major changes to the Historic Tax Credit (HTC) since the Tax Reform Act of 1986.

SEC. 1 SHORT TITLE "HISTORIC TAX CREDIT IMPROVEMENT ACT OF 2015"

SEC. 2 INCREASING THE REHABILITATION CREDIT FOR CERTAIN SMALL PROJECTS

Creates a 30% credit for smaller deals to make sure the rural west and non-urban areas have the same ability to take advantage of the credit. This increased small deal credit would be capped at Qualified Rehabilitation Expenses of $2.5 million, approximately $750,000 in credits.

SEC. 3 ALLOWANCE FOR THE TRANSFER OF CREDITS FOR CERTAIN SMALL PROJECTS

Allows for small transactions with rehabilitation expenditures not over $2,500,000 to be transferred as a tax certificate, making these deals easier for small project owners.

SEC. 4 INCREASING THE TYPE OF BUILDINGS ELIGIBLE FOR REHABILITATION

Changes the definition of substantial rehabilitation. This provision would change the threshold to qualify for the credit of 50% of adjusted basis instead of 100% of adjusted basis as the program currently requires.

SEC. 5 REDUCING BASIS ADJUSTMENT

Changes the amount of the depreciable basis adjustment from 100 percent to 50 percent of the amount of the HTC. This would place the HTC in line with renewable energy. The LIHTC has no depreciable basis adjustment.

SEC. 6 SPECIAL RULES FOR DISPOSITIONS OF STATE HISTORIC TAX CREDITS

Changes how the federal government taxes state historic tax credit proceeds.

SEC. 7. MODIFICATIONS REGARDING CERTAIN TAX-EXEMPT USE PROPERTY.

This provision would modify the disqualified lease rules to limit the definition of a "disqualified lease" to those leases that are part of a sale leaseback arrangement involving a nonprofit that has used the property before certification as a historic rehabilitation. The other types of disqualified leases that inhibit the rehabilitation of these buildings, such as those with purchase options, leases in excess of 20 years, and leases in buildings that use tax-exempt financing, would be eliminated.

SEC. 8 ELIMINATING FUNCTIONALLY RELATED PROPERTIES

Eliminates the concept of functionally related properties. It allows functionally related buildings to be treated as separate certified historic structures, thus allowing an owner to obtain an unconditional Part 3 approval for each building.

Appendix B -- Links to HTC reports and Economic Data

State-by-State Maps and Economic Date -- http://www.preservationnation.org/take-action/advocacy-center/additional-resources/historic-tax-credit-maps/2015/?_ga=1.138106992.1713892193.1336157683#.V0YIEjc9D3E

FY 2015 Annual Park Service Report https://www.nps.gov/tps/tax-incentives/taxdocs/tax-incentives-2015annual.pdf

FY 2015 Statistical Report -- https://www.nps.gov/tps/tax-incentives/taxdocs/tax-incentives-2015statistical.pdf

State Briefs -- http://www.preservationnation.org/take-action/advocacy-center/policy-resources/state-briefs/?_ga=1.166346238.1713892193.1336157683#.V0YIZjc9D3E

Article on Volume of Projects -- http://historiccredit.com/news-items/htc-transaction-volume-hits-pre-recession-levels/

Catalytic Report -- http://www.preservationnation.org/take-action/advocacy-center/policy-resources/Catalytic-Study-Final-Version-June-2014.pdf

FY14 Rutgers Report -- https://www.nps.gov/tps/tax-incentives/taxdocs/economic-impact-2014.pdf

April 12, 2016

The Honorable Kevin Brady
Chairman
Committee on Ways & Means
U.S. House of Representatives
Washington, D.C. 20515

The Honorable Sander Levin
Ranking Member
Committee on Ways & Means
U.S. House of Representatives
Washington, D.C. 20515

The Honorable Pat Tiberi
Chairman, Subcommittee on Health
Committee on Ways & Means
U.S. House of Representatives
Washington, D.C. 20515

The Honorable Jim McDermott
Ranking Member, Subcommittee on Health
Committee on Ways & Means
U.S. House of Representatives
Washington, D.C. 20515

The Honorable Charles Boustany, M.D.
Chairman, Subcommittee on Tax Policy
Committee on Ways & Means
U.S. House of Representatives
Washington, D.C. 20515

The Honorable Richard Neal
Ranking Member, Subcommittee on Tax Policy
Committee on Ways & Means
U.S. House of Representatives
Washington, D.C. 20515

Dear Committee Chairmen and Ranking Members:

The undersigned organizations encourage your prompt consideration of the Small Business Healthcare Relief Act (H.R. 2911) as leaders on the Committee on Ways and Means. This important legislation would protect small businesses from punitive fines for helping employees with health care costs and restore the ability to provide a flexible and valued benefit.

Soaring health insurance premiums have thwarted the ability of many small business owners to provide, and their employees to obtain, health coverage. From 2010 to 2015, premiums for small firms increased 25 percent, from an average monthly family premium of $1,104 to $1,385.[1] Similar, if not greater, premium increases are expected to continue in the years ahead.

To provide much-needed relief, we support allowing employers to provide employees with a defined financial contribution toward the cost of health care coverage. Under this approach, employers could provide employees with a set dollar amount to use on a tax-preferred basis when purchasing health care coverage.

Historically, many small business owners directly paid for or reimbursed employees for medical care and services through an employer payment plan, such as a Health Reimbursement Arrangement (HRA). However, the Affordable Care Act (ACA) requires that all group health plans meet certain benefit requirements, such as first dollar coverage of preventive services and no annual dollar limits on essential health benefits. Because HRAs are reimbursement

[1] "2015 Employer Health Benefits Survey." Kaiser Family Foundation, Sep 2015. http://kff.org/health-costs/report/2015-employer-health-benefits-survey/

arrangements, they violate these rules according to the Internal Revenue Service (IRS) and are therefore unlawful on a stand-alone basis.

As a result, since July 1, 2015, small businesses who do not offer a group health plan with the HRA face $100 per day, per employee fines. That totals $36,500 annually per employee up to $500,000 in total, or 18 times more than the $2,000 employer mandate penalty for larger employers who do not provide any coverage. Affected small businesses are trying to help their workers, but the IRS says their effort violates ACA requirements.

Many small business owners and employees are not aware of the prohibition, meaning this upcoming tax season could trigger surprising audits and costly penalties. For example, a small business owner who has been offering an HRA to his or her four employees since July 1, 2015, will owe the IRS $220,000 by the end of this year. Small employers, who want to help employees, simply cannot afford financial punishment of this magnitude. As a result, employees will lose their employer-provided health benefits and pay more for health care.

We strongly support the Small Business Healthcare Relief Act (H.R. 2911), which currently has 77 bipartisan cosponsors, including 28 House Ways & Means Committee members. This critical legislation would allow small businesses with fewer than 50 employees to offer employer payment plans and HRAs to employees for the payment of premiums or qualified medical expenses associated with insurance coverage without facing outrageous fines.

Thank you in advance for your consideration of our request for a prompt mark-up of this bipartisan, responsible small business health care bill. We look forward to working with you to address employer payment plans and account-based plans, such as HRAs, which provide small businesses with important and necessary relief from rising health costs.

Sincerely,

Air Conditioning Contractors of America
American Horticulture Industry Association – AmericanHort®
American Dental Association
American Farm Bureau Federation
American Independent Business Coalition
American Rental Association
American Subcontractors Association, Inc.
America’s Business Benefit Association, Inc.
Associated Builders and Contractors, Inc.
Associated General Contractors
Auto Care Association
Communicating for America, Inc.
Council for Affordable Health Coverage
Door Security and Safety Professionals
Evolution1 Inc. – a WEX Company
Family Business Coalition
Global Cold Chain Alliance

Healthcare Leadership Council
Heating, Air-conditioning & Refrigeration Distributors International
Independent Community Bankers of America
International Association of Refrigerated Warehouses
International Franchise Association
Insurance Benefits & Advisors, LLC
Mid-America Lumbermens Association
Mountain States Lumber and Building Material Dealers Association
National Association of Electrical Distributors
National Association of Home Builders
National Association of Manufacturers
National Association for the Self-Employed
National Association of the Remodeling Industry
National Association of Towns and Townships
National Association of Wholesaler-Distributors
National Christmas Tree Association
National Club Association
National Federation of Independent Business
National Grange
National Lumber and Building Material Dealers Association
NPES, The Association for Suppliers of Printing, Publishing, and Converting Technology
National Restaurant Association
National Retail Federation
National Small Business Association
Northeastern Retail Lumber Association
Padgett Business Services
Pet Industry Distributors Association
Promotional Products Association International
Retail Industry Leaders Association
Saturation Mailers Coalition
Secondary Materials and Recycled Textiles Association
Service Station Dealers of America and Allied Trades
Small Business & Entrepreneurship Council
Small Business Council of America
Small Business Legislative Council
Small Business Majority
Society of American Florists
Southern Consumers Alliance
The Latino Coalition
Tire Industry Association
U.S. Chamber of Commerce
Western Equipment Dealers Association
Window and Door Manufacturers Association
Zane Benefits

Hearing on Tax Reform Proposals

Statement of
Fire Chief Rhoda Mae Kerr
President and Chair of the Board

presented to the

COMMITTEE ON WAYS AND MEANS

SUBCOMMITTEE ON TAX POLICY

United States House of Representatives

May 26, 2016

INTERNATIONAL ASSOCIATION OF FIRE CHIEFS
4025 FAIR RIDGE DRIVE • FAIRFAX, VA 22033-2868

Good Morning, Chairman Boustany, Ranking Member Neal, and members of the subcommittee. I am Rhoda Mae Kerr, fire chief of the Austin Fire Department, and president and chair of the Board of Directors of the International Association of Fire Chiefs (IAFC). The IAFC represents more than 11,000 leaders of the nation's fire, rescue and emergency medical services. The IAFC's membership is internally organized into a number of sections based on individual fire chiefs' areas of expertise. The IAFC Volunteer & Combination Officers Section represents more than 2,000 chiefs from volunteer and combination agencies, while the Fire & Life Safety Section represents more than 1,000 chiefs and fire marshals with expertise developing and implementing fire and life safety codes. Thank you for the opportunity to provide comments on how tax reform could be used to support volunteerism and improve fire safety throughout the United States.

Nominal Incentives for Volunteer Fire/EMS Personnel

The fire and emergency service is a key component to the emergency response system in the United States. Firefighters and emergency medical services (EMS) personnel provide emergency response and mitigation to a variety of incidents including fires, medical emergencies, hazardous materials incidents, acts of terrorism, public health emergencies, building collapses, technical rescues, and other emergencies. Volunteer firefighters and EMS personnel play a large role in the provision of these emergency services. According to the National Fire Protection Association (NFPA), volunteers represent more than 69% of firefighters nationwide and serve in more than 27,500 fire departments. Nearly 20,000 fire departments, or 66% of all fire departments nationwide, rely solely on volunteers to provide their communities with emergency response and mitigation services. The NFPA further reports that in 2014, the value of services provided by volunteers was estimated to be nearly $140 billion.

The American fire and emergency service has seen a dramatic and steady decline in the number of volunteers. In 1984, 897,750 volunteer firefighters were serving across the nation. In 2014, just thirty years later, nearly 110,000 volunteers had left the fire and emergency service and were not replaced. The absence of these firefighters is being felt throughout the fire service as volunteer and combination fire departments are struggling to maintain adequate staffing levels. Rural areas of the nation are impacted particularly hard. These areas typically do not have the tax base to support career fire departments and often rely solely upon volunteers. The end result for these communities is often a lapse in fire protection and emergency services as these volunteers are lost and not replaced. If not addressed, this attrition of volunteer firefighters and EMS personnel will place tens of thousands of communities in extremely perilous positions.

Over the past several years, jurisdictions have sought to incentivize individuals to volunteer by offering nominal recruitment and retention incentives. These incentives often include items such as clothing with a fire department logo, local property tax waivers, reduced municipal water rates, and modest monthly stipends. Though these benefits might seem to be forms of de minimis compensation, the Internal Revenue Service considers these nominal incentives to be taxable income and requires fire departments to issue W-2s to their volunteers.

In 2007, Congress recognized the importance of volunteer firefighters and EMS personnel by including language in the Mortgage Forgiveness Debt Relief Act of 2007 (P.L. 110-142) which excluded property-tax based incentives and up to $360 in other incentives from being considered taxable income. This provision remained as an active portion of the Internal Revenue Code through the end of the 2010 tax year. Unfortunately, this provision was not extended and expired at the conclusion of the 2010 tax year.

The IAFC and other national fire service organizations strongly support the Volunteer Responder Incentive Protection Act (H.R. 2752/S. 609) which would reauthorize this provision and increase the tax exclusion of non-property based incentives for volunteers from $360 to $600 per year. This legislation currently has strong bipartisan support with 56 cosponsors, 11 of whom serve on the Committee on Ways and Means. The IAFC strongly encourages this subcommittee to include H.R. 2752 in any tax reform proposal that the Subcommittee might consider. This modest investment in recruiting and retaining volunteers will yield significant savings as communities will be able to retain their volunteer and combination fire departments.

Tax Considerations for Fire Sprinkler Systems

Fires continue to cause staggering damage to our nation. In 2014, nearly 1.3 million fires killed 3,275 people, injured nearly 16,000 individuals, and caused $11.6 billion in direct property damage. Indirect damage from fires is likely to be significantly higher as most small businesses will face temporary interruptions, if not complete closures, following a fire. Fires are not a rare occurrence for our nation. In 2014, someone was injured by fire every 33 minutes and someone lost a life every 2 hours and 41 minutes.

Automatic fire sprinkler systems are a recognized and highly-effective way for property owners to protect their properties and the lives of those who work and live in those structures. Sprinklered buildings have a reduced death rate per fire of 80% and reduced damage rate per fire of up to 70%. Furthermore, sprinklers have been found to confine a fire to its room of origin 94% of the time. Despite these clear benefits, current depreciation rules create a strong disincentive for building owners to invest in a sprinkler system due to the 39-year depreciation schedule for these systems. This tax policy also is inconsistent as automatic fire sprinkler systems are depreciated at 39 years whereas other plumbing improvements are depreciated at 15 years.

The IAFC strongly encourages this subcommittee to adopt a tax policy on fire sprinkler systems which actively encourages the installation of these life-saving systems and establishes parity in the depreciation of a building's plumbing improvements. The Fire Sprinkler Incentive Act (FSIA; H.R. 3591/S. 2068), introduced by Rep. Tom Reed (R-NY) and James Langevin (D-RI) is the perfect solution to address this issue. The FSIA would make two adjustments to the tax code to incentivize property owners to invest in fire sprinkler systems and to establish parity in the depreciation of these life-saving systems.

The first change that the FSIA would establish is to make fire sprinkler systems eligible for Section 179 expensing. This important change would allow low-rise and medium-rise property owners to immediately recover the costs of their fire sprinkler systems up to the Section 179 annual maximum of $500,000. With this heightened Section 179 cap, many small businesses would be able to protect their buildings, businesses, and lives of their customers and employees easily.

The FSIA provides a second adjustment to current tax policies by accelerating the depreciation schedule for fire sprinkler systems to 15 years. This change will greatly assist high-rise property owners in installing fire sprinkler systems as the cost of these systems would likely exceed the $500,000 annual limit on Section 179 expensing. Fifteen years is a reasonable time to expect a property owner to retain his or her property and recoup investments in making his or her structure safer for all. Additionally, this change would establish parity in the tax code by placing fire sprinkler systems on the same depreciation schedule as is applied to other plumbing improvements in a building.

It is important to note that the FSIA only provides an incentive for building owners to retrofit their existing building with a fire sprinkler system. This legislation in no way compels a property owner to make this investment and is not applied to new construction. Additionally, property owners required by law to retrofit their structure with fire sprinklers would not be eligible for the tax incentives contained within the FSIA. It is important to establish a mechanism to incentivize owners of existing buildings to invest in these important and life-saving systems.

Incentivizing building owners to install fire sprinkler systems also brings considerable safety and benefit to firefighters in the event of a fire. When a fire has been kept in check by an automatic fire sprinkler system, the building itself is far less likely to collapse or allow fire conditions to reach the dangerous "flashover" point– the temperature at which all materials ignite. Prevention of these two incidents greatly increases a firefighter's chance of extinguishing the fire without death or injury. Just as fire sprinkler systems are key to improving public safety, so too are they key to improving firefighter safety.

Conclusion

I thank the subcommittee for the opportunity to offer these recommendations on how we can reform portions of the tax code to better protect our communities. As you are all well aware, the tax code is a powerful tool to accomplish many goals– improving public safety is no exception. The current tax code contains several provisions which impede the ability of fire departments and private building owners to address life safety concerns in their communities. The IAFC strongly encourages this subcommittee to include H.R. 2752 and H.R. 3591 in any tax reform proposal which might be offered. These two provisions provide important adjustments to the tax code to vastly improve the ability of fire departments to recruit and retain volunteer emergency responders as well as aid property owners in their efforts to save lives and make their buildings resilient.

The IAFC looks forward to continuing to work with this subcommittee to address the needs of America's fire and emergency service. We stand ready to assist the subcommittee in developing and evaluating tax policies to support fire departments and improve public safety.

Testimony Submitted by the Independent Bankers Association of Texas
To The Committee on Ways and Means
In Support of
H.R. 2789 and H.R. 3287
May 12, 2016

The Independent Bankers Association of Texas (IBAT) appreciates the opportunity to express our strong support for two bills being considered that will provide community banks an opportunity to remain independent, serve their customers and foster economic development. Over 2000 community banks have organized as Subchapter S entities, which has provided a number of benefits to both these banks and the customers they serve. With those benefits come some disadvantages as well, especially in the area of capital formation. As you are aware, bank capital provides the "skin in the game" that allows banks to acquire funding through deposits and other means, and deploy those resources in the form of loans to their local communities. Community banks make a disproportionately high level of small business and agriculture loans vis-à-vis their larger competitors. According to an FDIC study, community banks in 2011 held 14 percent of banking industry assets, but 46 percent of the industry's small loans to farms and businesses. As small businesses are the source of a majority of new jobs in this country, initiatives to ensure the ongoing viability of community banks should be encouraged as a matter of public policy.

The two bills we strongly support are sponsored by Congressman Kenny Marchant –

The Capital Access for Small Business Banks Act (H.R. 2789) Banks have been able to organize as Subchapter S entities since the late 1990's. They, like other Sub S businesses, are limited to no more than 100 shareholders. The banking business is unique in many ways, and the level of regulatory oversight and demands for additional capital are significantly higher in this industry. New capital requirements under the Basel III provisions have left a number of banks with the choice of limiting growth (and new lending) or raising additional capital. In most cases, a community bank will look to existing shareholders when additional capital is needed. With such a small base of investors, this can prove problematic for a Subchapter S bank.

H.R. 2789 would allow a depository institution organized under Subchapter S of the Internal Revenue Code to have up to 500 shareholders, which would not only provide additional sources of capital, but would also allow for more community banks to seek this structure without shrinking their existing shareholder base. Further, the bill allows these institutions to issue preferred stock, which provides additional options for safety and soundness as well as the "raw materials" to fund future growth and investment in their local communities.

The Community Bank Flexibility Act (H.R. 3287) The ability to avoid the double taxation trap with pass through tax treatment is especially critical for community banks. This bill would allow a bank to organize as a limited liability company, or LLC, without the ownership restrictions inherent in a Sub S structure. Additionally, H.R. 3287 provides for a 5 year transition period whereby a bank converting to an LLC would not trigger current income taxes at either the shareholder or corporate level.

We believe that both of these bills will assist in stemming the continued consolidation of the community banking industry. They will also allow community banks the flexibility and ability to attract and retain additional capital to fund growth and investment in small businesses, thus creating jobs, economic activity and additional tax revenues.

IBAT very much appreciates Congressman Marchant for his foresight and leadership in the introduction of these bills, and for his recognition of the importance of community banking in the overall economic health and vitality of this country and its citizens from both a micro and macro perspective.

Comment to House Ways and Means Tax Policy Subcommittee
On H.R. 2481, The Domestic Research Enhancement Act of 2015
May 12, 2016

Laboratory Corporation of America® Holdings (LabCorp) is pleased to offer the following comments to the House Ways and Means Tax Policy Subcommittee regarding H.R. 2481, The Domestic Research Enhancement Act of 2015. LabCorp is the world's leading healthcare diagnostics company, providing comprehensive clinical laboratory services through LabCorp Diagnostics, and end-to-end drug development support through Covance Drug Development, a clinical research organization (CRO). As such, LabCorp's mission to improve health and improve lives would be facilitated by enactment of H.R. 2481.

Last year, Representatives Pat Meehan (R-PA), George Holding (R-NC), and G.K. Butterfield (D-NC) introduced H. R. 2481 to allow clinical research organizations such as Covance Drug Development to claim a partial research and development (R&D) tax credit for their qualified domestic research. In the Senate, Senators Tom Carper (D-DE) and Pat Toomey (R-PA) have included a similar proposal in S.537, "The COMPETE Act of 2015," as well as introducing it as a standalone amendment during Finance Committee consideration of the Protecting Americans from Tax Hike Act of 2015 last year.

Under current law, when a company contracts with another company to conduct its R&D, the allowable expenses towards determining its R&D tax credit drops from 100 percent to 65 percent. At the same time, the contract company conducting the research is prohibited from claiming the R&D credit, even though the research would otherwise be qualified. As a result, 35 percent of the R&D credit is lost, even though it is conducted in the US and would otherwise be qualifying.

The Meehan/Holding/Butterfield legislation, H.R.2481, would address this antiquated limitation and allow the R&D contract research company to claim the applicable research credit for the remaining unused 35 percent of eligible, domestic R&D expenses. As under current law, the contracting business can still claim 65 percent of qualifying research spending for purposes of the credit. Its R&D tax credit would not change.

Historically, pharmaceutical, biotech and medical device companies conducted most of their R&D in-house. But in recent years, a dramatic shift has occurred, and the majority of this work is now contracted out to specialized CROs. As a result, CROs have rapidly increased in size, more than doubling their employment in the past 10 years and contributing to the development of approximately 95 percent of all new drugs that are approved globally each year.

In recognition of the importance of having these clinical trials conducted domestically, many countries like France, Canada and the United Kingdom are offering incentives to encourage companies to locate and operate inside their borders. In fact, in these jurisdictions, CROs can often claim 100 percent of the applicable R&D credit. To remain competitive globally, the U.S. must continue to be an attractive location for clinical trials. Maintaining a strong portfolio of domestic clinical research for drugs, devices, treatments and processes is imperative if we want the U.S. to continue to be the world's leader in biomedical product development and related technology.

Enactment of H.R. 2481 would help ensure that LabCorp can continue to invest in U.S. jobs in an ever-competitive global marketplace. LabCorp currently employs approximately 41,500 employees in the U.S., including states such as North Carolina (7,012), California (3,195), Indiana (2,877), New Jersey (2,821), Texas (2,609), Wisconsin (2,095), Florida (1,674), New York (1,289), Tennessee (1,127), Georgia (967), Washington (957), Ohio (906), Pennsylvania (767), Minnesota (637), Illinois (552), South Carolina (500), Missouri (374), Kansas (368), Louisiana (367), Massachusetts (329), Connecticut (291), Michigan (149), Oregon (55), South Dakota (12), and Nebraska (11). Globally, LabCorp currently employs over 50,000 individuals, including over 8,500 located in approximately 60 foreign countries.

Through pro-growth tax policy like the Meehan/Holding/Butterfield bill, the U.S. can remain a leader in clinical research and continue to produce high-skilled and high-paying research jobs. A strong domestic clinical research industry ensures that innovative treatments and cures will be available to patients in the U.S. first.

Statement for the Record
of the
Municipal Bonds for America Coalition
to the
House Committee on Ways & Means
Subcommittee on Tax Policy
Hearing on Tax Legislation

May 12, 2016

This statement is submitted on behalf of the Municipal Bonds for America (MBFA) coalition, a diverse group of local elected officials, financing authorities, and other organizations, to reaffirm our opposition to legislative proposals targeting municipal bonds, including private activity bonds. Investment in schools, education loans, transportation, housing, healthcare clinics, non-profit hospitals, electrical facilities, water and wastewater treatment systems, police, fire, ambulance services, and other public infrastructure is critical to a growing and well-functioning economy. For over 100 years, tax-exempt municipal bonds have served as the primary financing mechanism for public infrastructure and attempts to curb or repeal the municipal exemption would dramatically increase the cost of infrastructure to the public and undermine the efforts of America's state and local governments to move their communities forward.

Chairman Boustany, we strongly urge you and the Ways and Means Committee to retain the current system of tax-exempt financing that has worked well for America and through over a century of tax code precedent. You will find our positions on issues related to the municipal tax exemption below.

Fiscal Pressures

One factor driving tax reform is the fiscal pressure the federal government faces. Annual budget deficits have been declining, but under current policies are expected to begin growing in several years and eventually put the nation on "a path that would ultimately be unsustainable."[1] As a result, some budget and/or tax reform proposals have suggested taxing municipal bond interest, in whole or in part, or replacing tax-exempt municipal bonds with alternative financing vehicles. MBFA strongly opposes any proposal that would alter the current law status of tax-exempt municipal bonds.

Taxing municipal bonds will do nothing to address the underlying issues causing our nation's fiscal problems, but, instead, shift federal costs onto state and local governments and, ultimately, the American public. The same is true of new financing tools being proposed as a replacement for municipal bonds. They may change who is lending the money to finance projects, or even who operates and maintains the projects, but they do nothing to reduce fiscal pressures on the federal government—other than shifting costs to state and local governments and taxpayers.

[1] CONG. BUDGET OFFICE, THE 2014 LONG-TERM BUDGET OUTLOOK, 3 (July 2014).

Simplification

Federal tax laws significantly limit the entities that can issue tax-exempt bonds, the purposes for which the bonds may be issued, and the investment of bond proceeds. While certain bond-related tax rules could be simplified, imposing a new tax on municipal bond interest would increase complexity by upending more than 100 years of legal precedent and unsettling long-standing, stable markets. Such a tax would hurt millions of Americans for whom municipal bonds are an incredibly simple and efficient means of securing a steady income stream in and near retirement. It would hurt municipal bond issuers, who could be forced to seek financing in the taxable bond market, a world in which the median municipal bond issue size ($7 million) would be a fraction of the median corporate bond issue size ($200 million). A partial tax could even be more complicated, as the tax status of a municipal bond would change with its holder's income, and the bond's value in the secondary market would depend on investors making similar calculations based on their estimates of their future income.

Infrastructure

Many policymakers are not satisfied with the current level of investment in infrastructure in the United States and are considering a variety of new investment tools as a result—tax credit bonds, direct-payment bonds, infrastructure banks, and a full spectrum of legal and regulatory changes to spur public-private partnerships. These new tools may encourage new sources of capital to finance these projects, including hedge funds, institutional investors, and offshore investors. They might also entice non-governmental entities to seek to construct and/or maintain these projects. In fact, some of these new tools are variations on existing tools—qualified private activity municipal bonds—currently used with great success by some of our coalition members.

Changing who lends the money to finance these projects, or who will build and/or operate these projects, will do nothing to change who, ultimately will pay for these projects—state and local residents. None of these alternatives change whether state and local residents can afford to pay the price. Conversely, it is absolutely certain that taxing municipal bonds, in whole or in part, will reduce the amount of infrastructure investments state and local residents can afford and be willing to undertake. This is true whether the new tax is intended to offset the cost of one of these new tools or simply to raise revenue for the federal government.

Class-Based Criticisms

Some critics say the exclusion for municipal bond interest is an inefficient windfall for wealthy investors. These arguments rely on the assumption that tax treatment is the sole factor driving investor behavior. Nationwide, about 72 percent of bond interest is paid to individuals, either directly or through mutual funds and similar investment vehicles. About 60 percent of household municipal bond income goes to investors aged 65 and older; and about half of household municipal bond income goes to investors with adjusted gross income of less than $250,000.

Households purchase municipal bonds because of the stability of the municipal bond market and the safety of the investment. The federal exemption of municipal bond interest protects this income from federal tax. As a result, investors accept a lower rate of return on these bonds in exchange for the benefit of the tax exemption—reducing or eliminating any tax "windfall."

Finally, a new tax on bonds would affect all Americans, not just "wealthy" investors being targeted. In fact, there is virtually no disagreement that all taxpayers will pay the price if Congress were to upend the 100-year precedent of exclusion to tax municipal bond interest. And when state and local governments go to issue new debt, the cost of the new tax will not be borne by the investor, who will be compensated with higher rates for any taxes he or she pays, but rather by state and local residents forced to pay billions more every year in additional financing costs. Effectively, a new tax on bonds would result in a locally imposed federal tax.

For over 100 years, municipal bonds have been an efficient, market-oriented way to finance infrastructure projects at the local level to keep America connected and competitive. Roughly 75% of today's infrastructure was financed with the help of municipal bonds. Over time, municipal bonds have built four million miles of roads, 500,000 bridges, 16,000 airports and 900,000 miles of pipe in water systems. It is no exaggeration to say that municipal bonds build America. Any proposal to target the tax-exempt status of municipal bonds would severely undercut this critical financing tool and deal a severe economic blow to America's communities and their citizens.

We would be happy to answer any questions you or Subcommittee members may have in relation to our perspective as laid out above, and we look forward to working with you on this important issue.

Executive Committee of the Municipal Bonds for America Coalition

Steve Benjamin, Executive Chairman
Mayor – Columbia, SC

Kevin M. Burke, Vice Chair
President and CEO
Airports Council International—North America

Michael Nicholas, Secretary
CEO
Bond Dealers of America

Clarence E. Anthony, Supporting Member
Executive Director
National League of Cities

Sue Kelly, Supporting Member
President and CEO
American Public Power
Association

Debra Chromy, Ex-Officio
President
Education Finance Council

George Friedlander, Ex-Officio
Chief Municipal Strategist
Citi

Introduction

NDC (the National Development Council) is one of the most experienced and innovative national nonprofit community and economic development organizations in the United States. From its inception in 1969, NDC operated with a singular purpose of: "*increasing the flow of capital for investment, jobs and community development to underserved urban and rural areas across the country*." NDC continues in the forefront of community revitalization policy, sharing our expertise with communities in every one of the 50 states and Puerto Rico. In partnership with local communities, NDC financed and developed *7,300* affordable housing units in *29* states, leveraged *$1.7 billion* in NMTC supported investment in low income neighborhoods, developed *3.5 million square feet* of essential municipal buildings including *7,800* structured parking spaces, loaned *$210 million* to *528 small business* borrowers located in predominantly low income communities nation-wide and provided classroom and onsite training to over *70,000* housing and community development practitioners. Our work and the positive impact our industry has on millions of lives would not be possible without several important federal programs contained in the tax code.

We are grateful for the opportunity to provide comments to the committee as it considers tax policy and the impact on local communities. First and foremost, we join with the voices of the Municipal Finance Caucus as expressed by Representatives Hultgren and Ruppersberger in supporting the continuation of the tax exempt status of municipal bonds, the largest source of low cost capital for public investment. In addition, we urge the committee to support the continuation and strengthening of tax policy tools that produced measurably positive impacts on the creation of affordable housing and overall investment in low income communities at a time of diminished direct investment. Over the last four decades, federal outlays for programs that support local and regional housing, community and economic development declined by a staggering 75% as a percentage of Gross Domestic Product. As overall federal investment in domestic assistance to communities and neighborhoods across America declined, the federal strategy for financing community development and affordable housing initiatives shifted from direct federal appropriations toward an emphasis on employing tax incentives and other market driven financing tools which have demonstrated their effectiveness.

Now that Congress is considering reforming the tax code by lowering rates and curtailing tax preference items, some have suggested that these essential financing vehicles (including the Low Income Housing Tax Credit (LIHTC), New Markets Tax Credit, Historic Tax Credit and the exclusion of federal tax on interest paid on Municipal Bonds), along with several other long standing financing tools, be reduced or eliminated. We reluctantly recognize that direct budgetary spending on programs that support investment in America will continue to decline and based on policy priorities, and may never be restored to previous levels. If federal investment tax incentives are weakened or completely eliminated, communities across America, both urban and rural, will be left without the resources they require to meet critical community development and affordable housing needs, and the "market" will not respond to fill the financing gap created by this retreat in investment.

NDC RECOMMENDATION: Permanently Extend and Strengthen the New Markets Tax Credit

The New Markets Tax Credit (**NMTC**) is an essential tool in our work to revitalize urban neighborhoods and rural communities. The program helps direct investment to communities left out of the economic mainstream, leveraging billions in private sector investment, creating hundreds of thousands of jobs, constructing and improving commercial and community facilities, repurposing vacant buildings, and revitalizing local economies in some of the poorest neighborhoods in America.

The NMTC provides a flexible incentive program designed to compensate for the investment impediments imposed by the "market." The New Markets Tax Credit program empowers local decision-making on important economic development projects.

<u>NMTC Economic Impact:</u>

- From 2003 to 2012, *$63 billion* in total project financing went to businesses and revitalization projects, creating *744,267 direct jobs* in low-income rural and urban communities, including *457,487 construction jobs* and *286,781 full-time equivalent jobs* in nearly every industry sector of the economy;
- By generating economic activity, NMTC investments provide a healthy return to the federal government. In 2012, NMTC-financed businesses generated *$984 million* in federal tax revenue which more than covered the estimated *$800* million cost in terms of lost tax revenue in 2012.
- NMTC investments create significant impact in rural communities. Between 2003 and 2011, the NMTC delivered *$3.5 billion in capital to non-metro census tracts,* leveraging an additional *$3.5 billion from other sources for a total of $7 billion in capital investment to over 600 rural businesses.* These NMTC investments created more than *67,000 jobs,* including nearly *47,000 full-time jobs* and over *20,000 construction jobs.*

<u>NDC's NMTC Work:</u>

Since the inception of the program NDC used the NMTC to support economic and community development. We not only provide tax credit equity to our client communities' projects, but we also help communities structure their NMTC transactions, find the necessary additional financing, and develop relationships with other organizations that receive allocations of the investment tax credits to provide NMTC equity when we cannot. To date NDC has:

- Invested in *86 projects* located in *25 states, r*eceived *$704 million* in NMTC allocation
- Generated over *$1.7 billion in total other public and private investment* creating or retraining *14,508 jobs*

NMTC Project Example: Makah Commercial Dock

Neah Bay, WA

COMMUNITY PROFILE:
Poverty: 27.3%, Household income: 46.6% of Area Median, Unemployment: 18.8%

The Makah commercial fishing dock located in the Northwest Washington Coastal town of Neah Bay supports over *90* small commercial fishing businesses that depend on the dock to offload their catch and sell to fish buyers. Through these operations the pier produces *$7 million* a year in direct and indirect economic benefits to the region, including approximately *$600,000* in annual revenue to the Tribe. The pier deteriorated in recent years and reached a condition where it was unsafe and had to be closed thereby impacting revenue to the Tribe. This New Markets Tax Credits investment enabled the full replacement of the deteriorated dock, pilings and causeway, along with construction of a new icehouse and three new off-load cranes. The new facilities will result in reduced operating costs and savings of *$21,000 per year* in maintenance costs. The new facility preserves this key economic resource for the Tribe and paves the way for upgraded emergency response, vessel rescue and spill response operations in the area. This project created greater readiness for disaster response operations
The Project resulted in the creation of 37 construction jobs and expected retention of at least 400 permanent full time jobs.

<u>NDC Policy Recommendation:</u>

Based on this record of success, the NMTC deserves authorization as a permanent part of the Internal Revenue Code. The National Development Council urges Congress to adopt the provisions of the bipartisan extension legislation in the House and Senate, the New Markets Tax Credit Extension Act of 2015 (H.R. 855/S. 591). Both bills would permanently authorize the NMTC, increase the annual credit authority with inflation adjustments in future years and provide an exemption from the Alternative Minimum Tax for NMTC investments. Without this tool, communities will lose billions in financing for important projects that create jobs and jump-start local economies.

NDC RECOMMENDATION: Strengthen and Expand the Low Income Housing Tax Credit

The Low Income Housing Tax Credit **(LIHTC)** is the single most important federal resource available to support the development and rehabilitation of quality and safe affordable housing, currently financing approximately *90 percent* of all new affordable housing developed in the country. While LIHTCs are often used with other sources of financing, they are the essential ingredient in addressing America's affordable housing shortage. NDC has used LIHTC to create *7,300 affordable units for over 20,000 low income renters.*

<u>*Economic Impact of LIHTC:*</u>

Over the history of the LIHTC program, which dates back to the Tax Reform Act of 1986, the Credit financed nearly *2.8 million rental units housing more than thirteen million people*. In addition to these significant improvements to the quality and quantity of rental housing stock across America, credit investments also generated significant economic activity including creating about *90,000* construction and permanent jobs annually generating *billions* in economic activity.

While LIHTC is a critical financing tool for metropolitan areas, it is also the principal tool used by rural communities to overcome barriers to developing affordable rental housing. Between 2009 and 2011, LIHTC investments financed *10,911 affordable housing units in rural communities*.

A significant need remains to increase the supply of affordable housing. Most of America's renters – including those eligible for LIHTC units –pay more than *30% of income* for housing and one-quarter spend half their monthly income. According to the Bipartisan Housing Commission only one in four renter households received federal housing assistance of any kind. The gap between supply of rental housing and demand for units by extremely low income households – those with incomes not exceeding 30% of area median – stands at *6.5 million units*. According to Harvard University's Joint Center for Housing Studies, in 2013, there were just 58 affordable units available to serve every 100 renters earning no more than 50 percent of area median income (AMI).

Beyond increasing the supply of housing, LIHTC helps states to meet new construction needs, and to preserve existing affordable housing. For these reasons, the Commission recommended a 50% increase in LIHTC over current rates as part of comprehensive housing finance reform.

<u>*NDC's LIHTC Work:*</u>

NDC Corporate Equity Fund, L.P. (CEF) provides equity capital for the construction, renovation and preservation of quality affordable housing using Low Income Housing Tax Credits, Historic Preservation Tax Credits and Renewable Energy Credits. The CEF affordable housing portfolio includes *174 LIHTC projects* with over *8,600 units* of housing with activity in *30 states and Puerto Rico*. NDC Corporate Equity Fund has leveraged over *$1.5 billion* in other public and private investment to develop essential affordable rental housing.

NDC's analysis of a sampling of twenty-five (25) LIHTC projects showed that these projects created *1,618 jobs* and *1,472 units of affordable housing* with total tax credits awarded of *$125,893,499*. In Colorado alone, NDC Corporate Equity invested in 19 LIHTC projects with an aggregate cost of *$133,626,685*. *Seven of the nineteen* LIHTC projects are in rural communities. In addition, one historic tax credit project resulted in an additional *$1,500,000* investment. All told *921 affordable housing units (235 in rural communities)* came to life. The LIHTC investments intentionally created economic integration to avoid concentration of poverty.

LIHTC Project Example: *Seniors on Broadway,* Eagle, CO
COMMUNITY PROFILE:
6,522 (92% urban, 8% rural). Population change since 2000: +115.1%
Estimated median household income in 2012: $74,516, higher than Statewide median household income $56,765
PROJECT NARRATIVE: This project created 14 units of low income senior housing that allowed seniors the opportunity to live comfortably while offering income integration in the small resort town of Eagle, CO.

<u>NDC Policy Recommendations</u>
We urge the Ways and Means Committee to adopt the bipartisan *Affordable Housing Credit Improvement Act of 2016 (S. 2962)* to expand the Low Income Housing Tax Credit (LIHTC) by 50 percent to help combat

the country's growing affordable housing crisis affecting all corners of the nation. This bill was introduced in May 2016 of 2016 by Senators Hatch and Cantwell.

NDC RECOMMENDATION: Preserve Tax-Exempt Bonds

NDC supports the continuation of the over 100-year-old exemption on interest earned on municipal bonds and private activity bonds. Each is vital to the investment in both conventional and social infrastructures. Hence, we urge the House Ways and Means Committee to continue the exemption that so effectively generated investment.

Key Aspects of Municipal Bond financing:

- State and local governments use municipal bonds to finance the construction of the majority of our nation's core infrastructure.[1] These municipal bonds finance roads, highways, and bridges; public transportation; seaports and marine terminals; airports; water and wastewater facilities; schools; acute care hospitals; multi-family housing; libraries; parks; town halls; electric power and natural gas facilities; and other public projects
- A qualified private activity bond is a type of municipal bond that finances certain qualifying public-private projects or other qualifying uses, such as state-based student loan programs or state-based mortgage assistance program. Interest on qualified private activity bonds is exempt from the federal income tax, but subject to the Alternative Minimum Tax.
- In fact, tax-exempt municipal bonds financed more than $1.7 trillion in new infrastructure investments in the last decade.[2]
- Proposals to eliminate or reduce the deduction for interest earned from municipal bond investments focus solely on federal tax revenues to be raised by such proposals, ignoring almost entirely the potential effect on state and local governments and, so, state and local residents. Private sector analyses, however, confirm that taxing municipal bonds, in whole or in part, or replacing municipal bonds with some other financing tool will increase state and local financing costs. The data suggest that these cost increases will actually go well beyond any revenue gain such a change might generate for the federal government. Had municipal bond interest been subject to federal income tax, the $1.65 trillion in new infrastructure projects financed from 2003 to 2012 would have cost state and local governments an additional $495 billion in interest expense.

[1] CONG. BUDGET OFFICE, J. COMM. ON TAXATION, SUBSIDIZING INFRASTRUCTURE INVESTMENT WITH TAX-PREFERRED BONDS (Oct. 2009)(showing that for education, water, and sewer, nearly all capital investments are made by state and local governments and that for transportation most investments are made by state and local governments).

[2] NATIONAL ASSOCIATION OF COUNTIES ET AL., PROTECTING BONDS TO SAVE INFRASTRUCTURE AND JOBS, 3 (2013) (http://www.naco.org/newsroom/pubs/Documents/Protecting-Bonds-to-Save-Infrastructure-and-Jobs-2013.pdf).

- A partial tax, such as one intended to "cap" the value of tax expenditures, would have increased those costs by $173 billion.[3] Interest costs on refinanced debt and bonds issued for non-infrastructure projects would also increase.
- A new tax on bonds would affect all Americans, not just "wealthy" investors being targeted. If Congress were to upend the 100-year precedent of exclusion to tax municipal bond interest with, for example, a surtax on municipal bond interest the price would ultimately be paid by state and local taxpayers. Initially, it will be borne by all investors – regardless of whether they actually pay the tax – as the value of all municipal bonds in the secondary markets decline.[4]
- If such a new tax was enacted, when state and local governments go to issue new debt, the cost of the new tax will not be borne by the investor, who will be compensated with higher rates for any taxes they pay, but rather by state and local residents forced to pay billions more every year in additional financing costs.[5]
- Effectively, a new tax on bonds would result in a locally imposed federal tax.

<u>Key aspects of NDC's use of Tax-Exempt Bond Financing:</u>

NDC uses tax-exempt bonds to finance privately delivered but publically owned buildings, roads and municipal utilities in partnership with local communities and universities.

NDC has long been a leader in the use of bonds by non-profits to support the rebuilding of a community's social infrastructure. NDC pioneered the concept and uses the "American Model", an innovative approach to Public Private Partnerships combining tax-exempt financing with private sector design, construction and management efficiency.

In nearly all cases, taxable debt is costlier than tax -exempt debt. Tax-exempt debt operates on a longer term, has a fixed rate and a lower cost. The Municipal Debt Market also traditionally provides 100% of the financing needs of a project and alleviates the need for costly private equity.

Unfortunately, the majority of emerging public private partnerships rely on the costlier taxable debt option thereby reducing the financial savings to the government.

The public sector does not regularly build facilities for its use. Unlike roads or sidewalks, city halls or municipal office building projects are undertaken once every few decades. When it comes time for a public entity to embark on a construction project, it is generally as concerned with consensus, procedure, and public perception as it is with outcome. In the private sector such concerns, while not totally absent, are clearly secondary to the primary goal of quality construction and a cost efficient project delivery.

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[3] *Supra* Note 5 at 5.

[4] Michael Kaske, *Tax Cap Threatens $200 billion Muni Loss, Citigroup Says*, Bloomberg, Dec. 7, 2012 (reporting analysis that limiting the tax value of the exclusion for municipal bond interest will reduce the value of existing bonds in the secondary market); Brian Chappatta, *Tax-Status Threat Fuels Worst Losses Since Whitney: Muni Credit,* Bloomberg, Dec. 21, 2012.

[5] George Friedlander, Citi, Muni Issuers and the Current Market Environment: Threats, Challenges and Opportunities 10 (Mar. 30, 2012)(estimating a yield increase of as much as 75 basis points); John Hallacy & Tian Xia, Bank of America Merrill Lynch, Munis & Derivatives Data, 1 (Feb. 13, 2012)(estimating a 40 basis point increase on issuer costs); BLX at 6 (estimating a 77 basis point increase in all-inclusive borrowing costs for large issuers and a 92 basis point increase in all-inclusive borrowing cost for smaller issuers).

Combining efficient private development methods with cost efficient tax exempt debt financing using the existing Tax Code through the use of qualified nonprofit intermediaries is a smart and efficient way to jumpstart the reconstruction of America's failing infrastructure.

Tax-exempt bonds make infrastructure development more cost efficient, thereby lessening the burdens of government, saving money, creating jobs, and strengthening the local tax base. Projects such as municipal office space, parking garages, laboratory space, student housing, libraries, biomedical research facilities, and hospitals provide benefit to the public while at the same time contributing significantly to the overall economy. Meeting the infrastructure challenges of the next decade will be difficult, but without the affordable financing provided through tax-exempt bonds, it will be nearly impossible.

<u>NDC's Tax-Exempt Bond Work:</u>

As consultants to local and state governments, NDC sees the positive impact of the tax exemption on interest earned on bonds daily. We know that our clients rely on that low cost source of investment capital. We are also aware that many groups are presenting this issue to the Ways and Means Committee. Indeed we signed on to the submission from the Municipal Bonds for America Association.

Therefore, we focus here on our work using private activity bonds. During the last 27 years, NDC used tax-exempt bonds to develop *37* essential social and conventional infrastructure projects totaling over *$2.5 billion* in development costs. In each instance the community or governmental entity engaged NDC to undertake the project to lessen that community's governmental burden. NDC completed all of our projects on-time and on, or under-budget with savings benefiting the public partner. The facility operation or management and maintenance has been, and continues to be, privately delivered and competitively priced.

To ensure operational efficiency, the NDC "American Model" allows the nonprofit sponsor/owner to hire "best in class" private developers, construction and property managers to build, operate and maintain the facility. NDC's "American Model" is an innovative approach to public private financing that combines the low cost of tax –exempt financing with private sector design, construction and management efficiency. To date we have completed 37 projects resulting in $2B of new development. NDC's American Model requires no new budget authority or modification to the existing tax code. We therefore ask you to preserve our ability to use this effective tool.

NDC Project Example: Volusia County Parking and Intermodal Transportation Center
Daytona, Beach, FL

COMMUNITY PROFILE:
Percentage of Persons Living in Poverty: 16.2%
Population in 2013: 62.316 (99% urban, 1% rural). Population change since 2000: +2.1%. Estimated median household income in 2012: $27,762, $19,194 less than statewide median income.
White alone – 36,017 (57.8%)
Hispanic – 3,863 (6.2%)
Black alone – 20,190(35.4%)

The City of Daytona Beach, Florida faced several difficult problems requiring a well planned and executed development strategy. The City of Daytona Beach and Volusia County proposed constructing a 1,500 space parking garage adjacent to the County Ocean Center and adjacent to the beach to accommodate increased traffic created by the proposed expansion of the Ocean Center, the construction of Ocean Walk Village, and the expansion of the Adam's Mark Hotel, as well as house an intermodal facility and remove parking from an environmentally sensitive area of the beach.

After exploring various ownership and financing options available, the County, acting in its interest and on behalf of the City, partnered with NDC to design, finance and construct the new parking garage and intermodal transportation center.

NDC delivered this *$17 million* project ahead of schedule and on budget. This creative public private partnership which included a private development and construction partner and the use of Tax-Exempt 501(c)(3) bonds not only lowered the cost of capital versus the private financing proposed by other development teams, but the introduction of NDC's "American Model" structure insulated the County from construction risk, accelerated project completion by over eighteen months while at the same time satisfying the need to create structured parking for the redevelopment occurring along the beach, and in connection with the expansion of the Ocean Center. The siting of the intermodal transportation center within NDC's garage also solved a long standing problem on where to site the County facility in an area of high property values and limited land. The garage, by removing cars from the beach, saved a breeding habitat for sea turtles and opened up sections of beach for non-vehicular recreational use.

NDC Policy Recommendation:

Maintain the federal tax exemption on municipal bond interest. Proposals to reduce, repeal or limit the tax exemption on municipal bonds would have a severely detrimental impact on the replacement and expansion of the nation's infrastructure, destroy the highly efficient municipal bond marketplace, and raise the cost for state and local borrowers and creating uncertainty for investors. Proposals to tax municipal bond interest, in whole or in part, would also introduce uncertainty into the municipal market, causing investors to fear additional federal intervention in the market where none has existed for the past 100 years.

Furthermore, capping or eliminating the exemption on municipal bond interest will adversely impact job creation. A recent IHS Global Insight report estimates that proposals to replace the exemption with a *28* percent cap on investor deductions would result in the loss of almost *312,000 jobs* annually and *$24.7 billion* in GDP. The report also estimates that full repeal of the exemption would result in the loss of nearly *892,000 jobs* annually and *$70.7 billion in GDP*.

NDC encourages the Ways and Means Committee to continue the partnership with state and local government and resist any efforts to shift the cost burden for infrastructure from the federal government to state and local governments. After all every American taxpayer lives in a local community and will bear the burden of cost shifting.

NDC RECOMMENDATION: Preserve and Enhance the Historic Tax Credit

The Historic tax credit encourages significant financial investment in historic preservation. From the first tax benefit for historic preservation signed by President Gerald Ford, the historic credit now has a clear record of leveraging private investment. The goal outlined in the Tax Reform Act of 1996 stated:

Congress believes that the rehabilitation and preservation of historic structures and neighborhood is an important national goal. Congress believes that the achievement of this goal is largely dependent upon whether private funds can be enlisted in the preservation movement.

The record now clearly shows the success of the historic tax credit. Historic tax credits alone cannot finance a project. Instead the credit is intended to leverage private investment in projects that are costlier and riskier than new construction. According to an IRS study in 2002 the completed projects brought "renewed life to deteriorated business and residential districts, created new jobs and new housing unit, increased local and state revenues, and helped ensure long-term preservation of irreplaceable cultural resources."[6]

Economic impact of the Historic Tax Credit:

- Research conducted for the National Park Service by the Rutgers Center for Urban Policy Research documents that since enactment of the historic tax credit in 1981, the credit has leveraged over $78 billion in private investment in historic rehabilitation, created nearly 2.36 million jobs, created or renovated more than 600,000 housing units, and rehabilitated more than 41,000 historic buildings.
- The 870 completed projects certified in FY 2015 created an estimated 85,058 jobs and nearly 24,000 new or renovated housing units.
- The historic tax credit is helping the communities that need it the most. According to an analysis of historic transaction data after 2001, eighty-four percent of historic tax credit projects are in low or moderate income census tracts, and more than two-thirds are in low income census tracts. More than one-third of the housing units created by the historic tax credit are priced as low or moderate income.

NDC Historic Tax Credit Work:
NDC Corporate Equity Fund, L.P. (CEF) provides equity capital for the construction, renovation and preservation of affordable housing using Low Income Housing Tax Credits, Historic Preservation Tax Credits and Renewable Energy Credits.

***NDC Project: Aeolian Senior Apartments,* Vicksburg, MS**

COMMUNITY PROFILE:
Population in 2013: 23,542 (93% urban, 7% rural). Population change since 2000: -10.8%. Estimated median household income in 2012: $26,402, $10,693 less than the statewide median household income.
PROJECT NARRATIVE: Historic tax credit equity in the amount of $1.3 million together with Low Income Housing Tax Credit equity and bank financing enabled the developer to acquire and renovate this historic

[6] Internal Revenue Service, "Market Segment Specialization Program, Rehabilitation Tax Credit." Training 3149-109, Rev 02/2002, Catalog Number 83711M

property built in 1924 and vacant from 1991 until it was placed in service in 2013. The renovation of the Aeolian Apartments, a contributing structure in Vicksburg's Uptown Historic District, has provided 60 units of housing serving adults 62 and older with low to moderate incomes. The Aeolian provides an extensive array of amenities to its residents, who also have easy access to many local benefits and services. Located within walking distance of the mighty Mississippi River, The Aeolian has been restored to a place of pride in Vicksburg, designated by the National Trust for Historic Preservation as one of Mississippi's original Main Street towns.

NDC Policy recommendation:

NDC recommends the preservation of the Historic Tax Credit, an incentive with a demonstrated record of leveraging private investment at a rate of $4 for every $1 of credit. We also recommend that Congress enact several technical fixes that would improve the pricing and efficiency of the credit while making it easier to use on smaller Main Street projects. These fixes are included in the Creating American Prosperity through Preservation (CAPP) Act, bipartisan legislation that has been introduced in the past several Congresses. The CAPP Act contains several technical fixes, the most important of which are the following:

- Enable more "Main Street" historic preservation in small towns and rural areas by increasing the HTC from 20 percent to 30 percent for "small projects" – those with $5 million or less in qualified rehabilitation expenditures.
- Increase energy-efficient rehabilitation by increasing the both the 10 and 20 percent credits by 2 percentage points, if the rehabilitation is successful in increasing the building's energy efficiency by 30 percent or more.
- In the Tax Reform Act of 1986, Congress provided that any building built before 1936 was eligible for the 10 percent rehabilitation tax credit. This arbitrary date is not indexed. We recommend indexing eligibility to fifty years in the past.
- Modifying Section 47c rules limiting the definition of a qualified lease to those leases that are part of the sale leaseback. This would make it easier for nonprofits and local governments to participate in the program, thereby increasing the number of community facilities, schools, and affordable housing that can be placed in service using the historic tax credit.

These changes would increase the catalytic impact of the historic tax credit, improve pricing, and broaden its use in rural areas and smaller main street communities.

Prosperity through Preservation
Protect and Enhance the Historic Tax Credit

HISTORIC TAX CREDIT COALITION

National Trust for Historic Preservation
Save the past. Enrich the future.

May 26, 2016

The Honorable Charles W. Boustany
1431 Longworth House Office Building
United States House of Representatives
Washington, DC 20515

The Honorable Richard E. Neal
341 Cannon House Office Building
United States House of Representatives
Washington, DC 20515

Re: Federal Historic Tax Credit

Dear Chairman Boustany and Ranking Member Neal:

We, the undersigned businesses and organizations, appreciate the opportunity presented by the House Ways and Means Tax Policy Subcommittee to comment on specific ways to improve the U.S. tax system. Accordingly, we want to emphasize the positive economic and social benefits the federal historic tax credit provides communities throughout the country and how, after more than three decades of successful operation, this program could function even more efficiently and assist more of our struggling Main Street communities.

As you consider ways to improve the U.S. tax system, we urge you to adopt the policy recommendations contained in the Historic Tax Credit Improvement Act, H.R.3846. This legislation, introduced by Representatives Mike Kelly and Earl Blumenauer, offers common sense reforms to the current program that will encourage greater building reuse and redevelopment in small, midsize, and rural communities. It also makes the rehabilitation of community-driven projects like theaters, libraries, and schools easier to accomplish. The bill would also create efficiencies by updating program requirements to reflect current industry practices.

The Historic Tax Credit Improvement Act offers a smart, sustainable approach to many of the challenges our smaller, Main Street communities currently face. By focusing enhanced support to projects with qualified rehabilitation expenses of less than $2.5 million, the Historic Tax Credit Improvement Act would address many of the economic issues facing our smaller, Main Street communities. These issues include the lack of private sector investment, filling downtown storefronts, creating better housing opportunities, and preserving each community's unique historic character.

The federal historic tax credit is the cornerstone of rehabilitation projects throughout the country and represents the most significant investment the federal government makes in historic preservation. Research conducted for the National Park Service by the Rutgers Center for Urban

Policy Research documents that since enactment of the historic tax credit in 1981, the credit has leveraged $117.6 billion in private investment in historic rehabilitation, created nearly 2.3 million jobs, and rehabilitated more than 41,250 historic buildings. This research also shows a positive return on investment - over the credit's 34 year history, the federal government allocated just over $23.1 billion in historic tax credits, but it has collected $28.1 billion in federal tax revenue generated from these repurposed, rehabilitated and economically productive historic properties.

Retention of the federal historic tax credit is important given the significant amount of rehabilitation work that remains, particularly in our smaller Main Street communities. While the HTC has made enormous strides rehabilitating anchor properties that led to the revitalization of entire commercial submarkets, tens of thousands of historic buildings remain vacant and under-utilized. These buildings are rich in architectural heritage but continue to exert blighting influences on the surrounding community. With conventional loans for historic property transactions averaging only 65 percent of total project cost, historic rehabilitation projects are simply not economically feasible without federal incentives.

As the House Ways and Means Tax Policy Subcommittee continues its work to develop a blueprint for tax reform, we ask that you protect and enhance the federal historic tax credit program that effectively utilizes our nation's past to meet the needs of today's economy.

Sincerely,

Alexander Company, WI
American Cultural Resources Association (ACRA), DC
Annapolis London Town & South County Heritage Area, Inc., MD
Archaeology Southwest, AZ
Architectural Heritage Foundation, Boston, MA
Arivaca Family and Community Education Association, AZ
Arizona Downtown Alliance, AZ
Arizona Heritage Alliance, AZ
Arizona Preservation Foundation, AZ
Arizona Vintage Sign Coalition, AZ
Arkansas Times, AR
Armory Park Neighborhood Association of Tucson, AZ
Azola & Associates, Inc., MD
Baker Hostetler, OH
Baker Tilly, IL
Baltimore Heritage, MD
Barrio Kroeger Lane Neighborhood Association, AZ
Belew Property Investments, LLC, AR
Bellow Falls Downtown Development Alliance (VT), VT
Benton County Historical Preservation Commission, AR
Blank Rome, PA
Boston Preservation Alliance, MA
Brad Barnett Insurance Agency, Inc., AR

Breevoort Preservation Strategies, AZ
Breevort Preservation Strategies, AZ
Brian Wishneff & Associates, VA
Bryan & Devan Conservation, AR
Bryan Cave LLP, DC
Buchalter Nemer, CA
California Preservation Foundation, CA
Cannon Heyman & Weiss, LLP, NY
Capital Mall Association, AZ
Capital Zoning District Commission, AR
Capstone Communities LLC, MA
Central Avenue Neighborhood Association 9CANA), MI
Cherokee County Historical Society, GA
City of Flagstaff Historic Preservation Office, AZ
City of Phoenix, Office of the Mayor, AZ
City of Prescott Historic Preservation Office (AZ), AZ
City of Tempe Historic Preservation Office, AZ
City of Tucson Historic Preservation Office, AZ
CityScape Capital Group, LLC, CA
Civil War Trust, DC
Clinton Brown Company Architecture, PC, NY
Clocktower Tax Credits, LLC, MA
Cohn Reznick, NY
Community Housing of Maine, ME
Comvest Properties LLC, MS
Consortium Structured Investments, NC
Conway, AR Downtown Partnership, AR
CrossKey Architects, LLC, CT
Cultural Heritage Partners, PLLC, DC
Daniel & Company, Inc., VA
Delgado Law Group, PLC, AZ
Deller Conservation Group, WI
Deseo, LLC, AR
Desert Archaeology, Inc., AZ
Discover Downtown Middlesboro, KY
Downtown Neighborhoods and Residents Council of Tucson, AZ
Downtown Phoenix, Inc., AZ
Downtown Tucson Partnership, AZ
Downtown Vices Coalition, AZ
Dudley Ventures, AZ
Dunn & Dalton, Architects, NC
Elkins P.L.C., LA
Enhanced Capital, NY
Enhanced Historic Credit Partners, MO
Epsilon Associates, Inc., MA
Evans Churchill Community Association, AZ

F.Q. Story Historic District, AZ
F.Q. Story Preservation Association (SPA), AZ
Fearnbach History Services, Inc., NC
Feldman's Neighborhood Association of Tucson, AZ
First Madison Valley Bank, MT
First NBC Bank, LA
Five Rivers Historic Preservation, Inc., AR
Florence Preservation Society, AZ
Forest City Residential Group, Inc., OH
Foss and Company, CA
Fourth Avenue Merchants Association, AZ
Fox Tucson Theatre Foundation, Inc., AZ
Frank Lloyd Wright Foundation, AZ
Friends of Historic Spring City, UT
Friends of Jefferson Park, Inc., AZ
Friends of Wheeling, Inc., WV
Fusion Advisory Services, LLC, AL
Future Unlimited Law PC, WA
Garland Properties, LLC, VA
Gem City-Hilltop Community Housing & Development, Inc. , OH
Georgia Trust for Historic Preservation, GA
Germanna Foundation, VA
Ginsberg Jacobs LLC, IL
global X, NY
Grand Avenue Arts & Preservation, AZ
Gronen Properties Restoration, IA
Hands-On History, SC
Heritage Consulting Group, OR
Heritage Ohio, OH
Heritage Square Foundation, AZ
Herron Horton Architects, Inc., AR
Hist:RE Partners, LLC, VA
Historic Albany Foundation, NY
Historic Boston, Inc., MA
Historic Charleston Foundation, Inc., SC
Historic Columbia Foundation, SC
Historic Kansas City, MO
Historic Lansdowne Theater Corporation, PA
Historic Preservation Consultants, PA
Historic Preservation, LLC, NJ
Historic Savannah Foundation, GA
Historic Staunton Foundation, VA
Historic Tax Credit Coalition (HTCC), DC
Historic West University Neighborhood of Tucson, AZ
Hogan Lovells US LLP, DC
Holland & Knight LLP, FL

Honigman Schwart Miller and Cohn LLP, MI
HRI Properties, LA
HT2 Business Systems, TX
Hunton & Williams LLP, VA
Husch Blackwell LLP, MO
Indiana Landmarks, IN
Jameson Architects PA, AR
Jodie Manale, REALTOR, LA
Jones Walker, LA
JP Morgan Chase, NY
Jubilee Baltimore, Inc., MD
Judith Johnson & Associates, TN
Kasper Mortgage Capital, LLC, VA
KHP Capital Partners, CA
Klein Hornig, LLP, MA
KLMN Properties Inc., AZ
Kramer & Company, OR
Kutak Rock, LLP, NE
L&R Resources, Inc., LA
L.L. Consulting, AZ
LaFrontera Corral of the Westerners, AZ
Landmarks Association of St. Louis, MO
Landmarks Illinois, IL
Lathrop & Gage LLP, MO
Lawrence Preervation Alliance, KS
Laytonsville Historic District Commission, MD
LeFevre Funk Architects, Inc., PA
Little Rock Historic Properties, LLC, AR
Local Initiatives Support Corporation (Phoenix), AZ
LOCUS, DC
Lominack Kolman Smith, Architects, GA
Loomis Ewert Parsley Davis & Gotting, PC, MI
Los Angeles Conservancy, CA
Lynchburg Public Warehouse, VA
MacRostie Historic Advisors LLC, DC
Madison Valley Lodging, MT
Main Street Apache Junction, AZ
Main Street Architecture, PC, VA
Main Street Beatrice, NE
Main Street Casa Grande, AZ
Main Street Florence, AZ
Main Street Globe, AZ
Main Street Nogales, AZ
Main Street Pinetop Lakeside, AZ
Main Street Prescott, AZ
Main Street Safford, AZ

Main Street Sedona, AZ
Main Street Show Low, AZ
Main Street Vail, AZ
Maine Preservation, ME
McFarland State Park Advisory Committee, Inc., AZ
McGladrey LLP / RSM US, IL
McKeesport Preservation Society (PA), PA
MDA Partners, LLC, MA
Menlo Park Neighborhood Association of Tucson, AZ
Mercy Housing Lakefront, IL
Mesa Preservation Foundation, AZ
Metropolitan Real Estate, WI
Mid Tex Mod, TX
Milwaukee Preservation Alliance, WI
Miramonte Neighborhood Association Board of Tucson, AZ
Mississippi Heritage Trust, MS
Modern Phoenix, AZ
Moline Preservation Society, IL
Montana Preservation Alliance, MT
MotorCities National Heritage Area, MI
Nabholz Properties, AR
Nadeau Wadovick, CPAs & Business Advisors, RI
National Housing & Rehabilitation Association, DC
National Trust Community Investment Corporation (NTCIC), DC
National Trust for Historic Preservation, DC
NCARB, FL
New York Landmarks Conservancy, NY
Nixon Peabody LLP, MA
Non-Profit Consulting and Strategic Planning, MA
North Carolina Department of Natural & Cultural Resources, NC
Novogradac & Company, LLP, CA
Octagon Finance, LLC, VA
Ohio History Connection, OH
Otweil Associates Architects, AZ
Palmetto Trust for Historic Preservation, SC
Paris Economic Development, AR
Paul Smith Historic Consulting, LA
Phoenix Historic Neighborhoods Coalition, AZ
Pinal County Trails Association, AZ
Pittsburgh History and Landmarks Foundation, PA
Plante & Moran, LLC, MI
Polsinelli PC, MO
Postwar Architecture Task Force of Greater Phoenix, AZ
Preservation Action, DC
Preservation Action Council of San Jose, CA
Preservation Alliance of West Virginia, WV

Preservation Chelsea, MI
Preservation Dallas, TX
Preservation Erie, PA
Preservation League of New York State, NY
Preservation Maryland, MD
Preservation Massachusetts, MA
Preservation Pennsylvania, PA
Preservation Phoenix, AZ
Preservation Trust of Vermont, VT
Preservation Virginia, VA
Preserve Rhode Island, RI
Presonomics, Inc., GA
Quapaw Quarater Association, AR
RBC Capital Market Tax Credit Equity Group, OH
Reina Design Studio, AZ
Restoration St. Louis, Inc., MO
Restore Oregon, OR
Revitalization News, DC
Rick Barker Properties, LLC, VA
Rincon Heights Neighborhood Association, AZ
Rio Salado Foundation, AZ
Rock Island Preservation Society, IL
Rogers Lewis Jackson Mann & Quinn, LLC, SC
Rosin Preservation, LLC, MO
Roth Law Firm, L.L.C., GA
Rowayton Historical Society, CT
RSI Building Products LLC, LA
Rubinbrown, MO
Rushton, Stakely, Johnston & Garrett, P.A., AL
Russell Fellow Properties, OR
Sadler & Whitehead, Architects, PLC, VA
Sam Hughes Neighborhood Association (SHNA) of Tucson, AZ
Saratoga Springs Preservation Foundation, NY
Sedona Main Street Program, AZ
Selected Funderal and Life Insurance Company (SFLIC), AR
Sherwin-Williams Company, OH
Society for Historic Archaeology, DC
Spencer Fane, MO
Squire Patton Boggs, OH
St. Charles Properties, LLC, AR
Stinson Leonard Street LLP, MO
Stonehenge Capital Company, LLC, LA
Supply Resources, Inc., VA
Tax Credit Capital, LLC, LA
Tempe Historic Preservation Foundation, AZ
The Landmark Society of Western New York, NY

Tucson Historic Preservation Foundation, AZ
Ulmer & Berne LLP, OH
US Bancorp, MN
Utah Heritage Foundation, UT
Vail Preservation Society, AZ
Van Dyke Architects, LLC, OH
Venerable Group, OR
Virginia City Preservation Alliance, MT
VORYS Legal Counsel, OH
Washington Trust for Historic Preservation, WA
Webb County Heritage Foundation, TX
Wetta Ventures, LLC, AZ
WFM Enterprises, AR
Wheeling National Heritage Area, WV
Windsor Square Historic Neighborhood Association, AZ
Winkler Development Corporation, OR
Winn Development, MA
Winthrop & Wenstine, MN
Wisznia | Architecture + Development, LA
WLFA Associates, LLC, AZ

Statement of Kevin D. Quinn, Chairman of the National Volunteer Fire Council (NVFC)
Submitted to the House Committee on Ways and Means
For the Record for the Member Day Hearing on Tax Legislation in Support of
The Volunteer Responder Incentive Protection Act (H.R. 2752) and
The Volunteer Emergency Services Recruitment and Retention Act (H.R. 1171)
May 25, 2016

Thank you for the opportunity to provide information regarding tax legislation that would help local communities to recruit and retain volunteer fire and EMS personnel. My name is Kevin D. Quinn and I joined the fire service in 1976. I recently retired as a Deputy Chief of the Union Fire District in South Kingstown, RI and I remain an active volunteer firefighter in Union Fire District. In 2015 I was elected Chairman of the National Volunteer Fire Council (NVFC).

I am writing to ask that the committee include language from H.R. 2752, the Volunteer Responder Incentive Protection Act (VRIPA), and/or H.R. 1171, the Volunteer Emergency Services Recruitment and Retention Act (VESRRA), as part of any tax legislation that the committee considers. VRIPA would allow communities to provide volunteer firefighters and EMS personnel with property tax rebates and/or up to $600 per year of recruitment and retention incentives without those benefits being subject to federal income tax and withholding. VESRRA would simplify how volunteer emergency responder retirement plans – length of service award programs (LOSAPs) – are taxed, without increasing or reducing federal spending or taxes.

Volunteer Fire Service Overview

There are approximately 790,000 volunteer firefighters in the United States, which is nearly 70 percent of the nation's fire service. All- and mostly-volunteer fire departments protect 85 percent of the communities in the United States and 36 percent of the population. Most volunteers serve in communities with populations of 25,000 or fewer residents.

The services donated by volunteer firefighters each year save local communities approximately $140 billion. That is what the National Fire Protection Association (NFPA) estimates that it would cost to replace the nation's volunteer firefighters with career firefighters. To put the $140 billion figure into perspective, the NFPA also estimates that the nation spends approximately $50 billion each year on fire suppression services.

Providing emergency services in the small communities where volunteers serve is very costly on a per-person basis compared to larger communities where fire departments can take advantage of economies of scale. National fire service needs assessment surveys consistently show that the smaller the community, the more likely to rely on older equipment and apparatus and the more likely to have all- and mostly-volunteer staffing. In communities with populations of 2,500 or fewer residents, 97 percent of the firefighters are volunteers. Utilizing volunteers is cost effective for communities with a small tax base and a low call volume, but only if you can recruit and retain enough volunteers to get the job done.

Recruitment and Retention of Volunteers

Volunteer emergency services agencies face two significant challenges in recruiting and retaining personnel. The first is demographic. The rural areas where communities are most likely to rely on volunteers are losing population, particularly younger people who move to suburban and urban areas to find work. Even many residents of rural communities commute long distances to and from work these days, which means that they aren't available for daytime weekday responses and they have less flexible schedules in general.

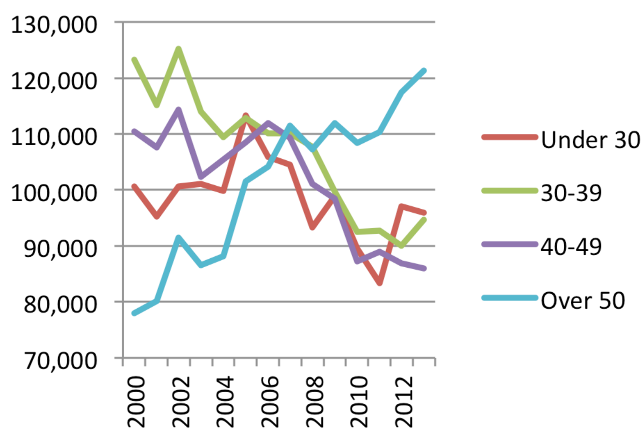
The second issue is that the time required to become an emergency responder has increased dramatically. Training and certification requirements for entry-level firefighters and EMS personnel today are hundreds of hours in most areas. Firefighters and EMTs today are professionals, whether or not they are being paid for their services. This means that we provide a high level of service in as safe a manner as can be expected, but it also make recruitment and retention more challenging. Many people are willing to respond to emergencies for free but fewer are interested in putting in the training time necessary to become a certified firefighter/EMT.

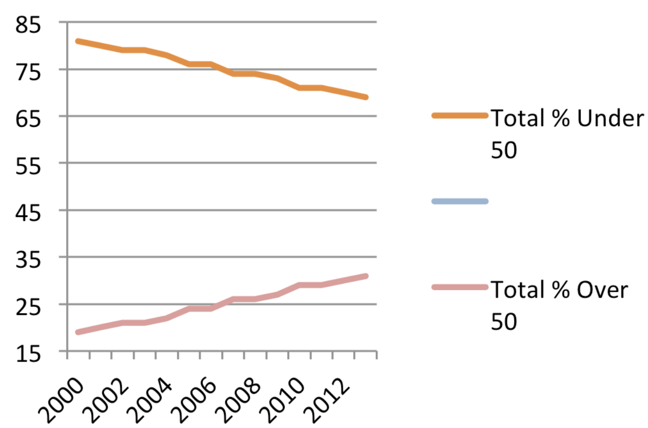
As a result of these shifts, the average age of firefighters in small communities has been steadily increasing. For years the trend was a decrease in the number of younger firefighters made up for by increasing reliance on older firefighters. Over the past decade however, the number of older firefighters has leveled off and we are starting to see an overall reduction in the number of firefighters serving in small-town America:

Source: National Fire Protection Association, U.S. Fire Department Profile Reports 2000-2013

Age of Firefighters Protecting Communities with Populations of 2,500 or Less

	Number of FFs	Under 30	30-39	40-49	Over 50	Total % Under 50	Total % Over 50
2000	412,300	100,601	123,278	110,496	77,925	81	19
2001	398,550	95,253	115,181	107,609	80,109	80	20
2002	431,650	100,574	125,179	114,387	91,510	79	21
2003	404,400	101,088	114,041	102,313	86,542	79	21
2004	402,350	99,783	109,439	105,416	88,115	78	22
2005	437,600	113,338	112,901	108,525	101,520	76	24
2006	432,000	105,840	110,160	111,888	104,112	76	24
2007	435,350	104,484	110,144	109,273	111,450	74	26
2008	409,350	93,332	107,659	101,109	107,250	74	26
2009	408,650	98,893	99,711	98,485	111,970	73	27
2010	377,550	89,497	92,500	87,214	108,357	71	29
2011	375,400	83,339	92,724	88,970	110,368	71	29
2012	391,400	97,067	90,022	86,891	117,420	70	30
2013	397,950	95,906	94,712	85,957	121,375	69	31





There is no silver bullet for volunteer recruitment and retention, but one strategy that many agencies use is providing nominal benefits to personnel. Volunteer benefits come in various forms. Communities provide LOSAP, tax and fee reductions, small cash payments for emergency calls responded to, and a variety of non-monetary benefits ranging from gym memberships to a free round of golf. The types and levels of benefit vary widely by community but departments have found that even minor incentives go a long way towards demonstrating that volunteers are valued, which can dramatically improve retention.

Impact of Federal Taxation

Federal taxation of volunteer benefits can be confusing, in part because the very definition of "volunteer" isn't clear. The U.S. Department of Labor has ruled that personnel compensated at a rate of less than twenty percent of the rate that a full-time paid employee performing the same functions in the same jurisdiction would be are "volunteers" rather than "employees." The Internal Revenue Service (IRS), however, does not recognize this distinction and has made it clear that even minor benefits provided to volunteers should be taxed as income.

The notion that volunteer benefits ought to be subject to federal income and payroll taxes has been slow to take hold in the volunteer emergency services community. The NVFC regularly hears from volunteer fire departments that are unaware that the benefits they provide are technically subject to taxation. There are several reasons for this confusion, including:

- Interpreting the Labor Department's ruling to mean that because someone is considered a "volunteer" rather than an "employee" that benefits provided to that individual are not subject to income taxation.
- Viewing volunteer benefits as reimbursement and hence not subject to income taxation.
- Believing that if benefit amounts are small enough that there is no requirement that they be treated as taxable income or reported as such.
- Not viewing themselves as employers or the benefits they provide as income.
- Never having been audited or even contacted by the IRS and informed otherwise.

How VRIPA and VESRRA Help

VRIPA would exempt from federal income taxation any nominal benefits (property tax incentives and other benefits up to $600 per year) that volunteer emergency responders receive in appreciation for their service. This would increase the incentive value of volunteer benefits. It would also completely eliminate the obligation for most agencies to report benefits to the IRS.

VESRRA addresses three specific problems with how LOSAP is taxed:

- The tax code specifies that employer contributions into a retirement account cannot exceed compensation in the form of salary, wages or other benefits. Because volunteers do not receive a regular wage or salary, many LOSAPs are either not funded or the funds are set aside but not guaranteed to the individual volunteers. Consequently, if the entity responsible for the LOSAP declares bankruptcy, volunteers could lose their benefits. Additionally, if a volunteer is injured in the line of duty they could be forced to take their LOSAP early and be subject to tax penalties and in some cases a much higher tax rate. VESRRA would allow sponsors of LOSAPs to elect to make plan contributions guaranteed and portable.
- Under current tax law there is a $3,000 limit on annual contributions into LOSAPs. Established in 1996, the cap has not been adjusted for inflation. VESRRA would raise the annual contribution limit to $5,500 and create a mechanism for adjusting the cap for inflation.
- Many volunteer fire and EMS agencies are private entities, although they are nonprofit and are funded and authorized to operate by local government units. Because the tax code has different rules for government- and privately-maintained deferred compensation plans, LOSAPs for private, nonprofit volunteer emergency service agencies fall into a gray area. VESRRA specifies that LOSAPs funded by private, non-profit emergency services agencies be treated as governmental for the purposes of taxation.

Volunteering has been part of American life since before our nation was founded. The volunteer spirit remains strong but as society changes, barriers to volunteering as an emergency responder have emerged that are making it increasingly difficult to recruit and retain personnel. Many communities now provide incentives designed to overcome these challenges. Passage of VRIPA and/or VESRRA would make this process much easier for thousands of volunteer emergency services agencies.

NRDC

May 26, 2016

Chairman Charles Boustany (R-LA)
House Ways and Means Tax Policy Subcommittee
Longworth House Office Building
Washington, DC 20515

Ranking Member Richard Neal (D- MA)
House Ways and Means Tax Policy Subcommittee
Cannon House Office Building
Washington, DC 20515

Chairman Kevin Brady (R-TX)
House Ways and Means Committee
Cannon House Office Building
Washington, DC 20515

Ranking Member Sandy Levin (D-MI)
House Ways and Means Committee
Longworth House Office Building
Washington, DC 20515

NRDC Comments for the Record: Member Hearing on Tax Policy

Dear Chairman Boustany, Ranking Member Neal, Representative Brady and Levin,

We appreciate the opportunity to submit for the record proposals for improvements to the U.S. tax system. We believe that it is critically important that the tax code continue to be utilized to promote clean energy, energy efficiency, and infrastructure technologies that reduce pollution and drive innovation. Properly-crafted tax policy in these areas has already proven effective at delivering benefits at an exceptionally low cost to the taxpayer while cutting harmful pollution. These policies create jobs, provide benefits to local communities, save businesses and consumers money, and help ensure America remains a global leader in clean technologies in the 21st century.

It is also long past time to jettison costly and wasteful tax provisions, some of them a century old, which promote mature, polluting energy sources that undermine our national goals. It simply does not make sense to continue funneling billions in taxpayer dollars to enormously powerful, wealthy corporations to produce dirty energy that degrades the environment and threatens the health of our children and communities.

Any tax changes in the energy and infrastructure sectors must be judged by their contribution to meeting our obligation to pass on a cleaner, healthier, safer planet to our children.

Energy Efficiency

The cheapest and cleanest energy resource is the energy we don't have to use. Despite the many benefits of energy efficiency, the opportunities fail to be implemented due to a variety of market failures, such as split incentives, lack of information, and a multitude of other barriers. Tax incentives for energy efficiency overcome these market barriers by attracting producer and consumer attention to the opportunities and transforming markets for new technologies and practices. In addition to reducing pollution and saving money for consumers and businesses, energy efficiency incentives have the added benefit of creating jobs both directly in homes and businesses but also indirectly. As utility bill savings are spent in other parts of the economy it stimulates growth. These incentives can also increase tax revenue. Energy efficiency tax incentives for buildings, industry and manufacturing deliver results and they should be strengthened to deliver even greater economic and environmental benefits.

Efficiency tax policy should be designed around the following principles—policy should:

- Deliver innovation in buildings and manufacturing, with tough qualification (only the most efficient); this cuts the cost to the Treasury dramatically as well as increasing savings
- Reward taxpayers based on performance and not cost;
- Be technology neutral; and
- Be regularly updated to continue to drive innovation and to prevent the incentive from going to recipients who are no longer doing state-of-the-art efficiency.

Specifically, the following energy efficiency tax incentives should be extended and strengthened:

Energy Efficient Commercial and Multifamily Buildings – section 179D

What: The Energy Efficient Commercial Buildings Tax Deduction under the Commercial Building Modernization Act. This provision will expire at the end of 2016. The 179D tax deduction provision should be extended with the following modifications:

- Update the requirements so that they achieve the specified savings compared to the updated ASHRAE reference standard for new construction and the building's prior performance for retrofits.
- Strengthen the deduction by allowing tribal governments and non-profits to allocate the deduction to designers.
- Integrate improvements to better enable retrofits for buildings owned and managed by private sector owners, and incorporate the common sense, technology neutral, and performance based provisions.

Energy Efficient New Homes – Section 45L

What: The New Energy Efficient Home Credit (expires December 31, 2016), which provided taxpayers a credit of up to $2,000 for the construction of new energy efficient homes.

- Revise the criterion to measure reductions in whole-house energy use and increase the stringency of the target to meet the strongest efficiency option in the 2015 International Energy Conservation Code.
- Raise the bar automatically whenever market share of rated homes qualifying for the incentive reaches 10 percent to a level met by only the top 5 percent of the new homes market.

Renewable Energy

Production Tax Credit (PTC) and Investment Tax Credit (ITC):
Since 2009, the costs of generating electricity from wind and solar power have dropped by 61% and 82%, respectively. The nation has seen a near doubling of wind power in the last five years and solar power has more than doubled in just the last two years. The U.S. wind industry employs nearly 90,000 Americans, and the solar industry creates jobs for over 200,000 workers. More renewable energy from these sources means burning less fossil fuels, reducing air pollution that contributes to asthma attacks, heart attacks, and mercury exposure and drives dangerous climate change. None of this would be possible without the support of the Production Tax Credit and Investment Tax Credit, which have been integral to the explosive growth and cost reductions for wind and solar energy. Congress recently passed a multi-year extension of the wind and solar tax credits, providing important certainty for these industries. NRDC supports updating the tax credit extensions to include other qualifying renewable technologies, which should receive the same benefits and opportunities as wind and solar technologies.

Congress should also provide longer-term certainty for the offshore wind industry. Offshore wind energy represents our largest untapped clean energy resource. Wind turbines off our coasts can harness fast wind speeds to power our homes and businesses with pollution-free energy and create new manufacturing jobs. However, there are still no operating offshore wind facilities in U.S. waters. A long-term extension, including a separate line-item in the tax code, of the ITC for offshore wind is critical to the success of the industry. We encourage the committee to examine and support the Incentivizing Offshore Wind Power Act (S. 1736).

Master Limited Partnerships:
NRDC also endorses allowing the renewable energy and energy efficiency industries to benefit from the same tax treatment that has long been available to the oil and gas industry through master limited partnerships (MLP). Clean energy markets, like other economic sectors, have been hampered by capital constraints in the aftermath of the U.S. financial crisis. All energy industries require private capital to fund projects, and the recent financial market volatility illustrated the value of capital supply afforded by the MLP structure. Furthermore, clean energy projects are attractive assets for MLP investors, featuring stable revenue sources and a good long-term risk profile for investors. Supplementing successful energy tax credits with access to MLPs for renewables and other clean energy technologies would enhance the sources of capital for the industry and increase investors' opportunities to take ownership in America's clean energy future.

Clean Energy Investment Trust:
REITs and mutual funds are public capital vehicles that enable retail investors to invest in real estate and stocks and bonds, respectively. Congress should enact legislation providing for a "clean energy investment trust" (CEIT) that is patterned on the existing REIT model but would invest in renewable energy assets. Moreover, the CEIT vehicle should be permitted to invest a portion of its capital in other assets (e.g., assets that are permissible for current law REITs and mutual funds) to enable the CEIT to use the excess tax benefits generated by the renewables assets to offset this other income. Independent of whether CEIT legislation is enacted, legislation should be enacted to enable current law REITs and mutual funds to invest a portion of their capital in renewable energy assets. These proposals would provide an important source of public market capital for renewables investing, while permitting investors of modest means to invest in renewable energy.

Climate

Extension of Sec. 45Q Tax Credit:
Carbon capture and Storage (CCS) represents an important component of our nation's strategy for achieving greenhouse gas emissions reductions. Widespread deployment of carbon capture technologies can materially help to meet national and global mid-century goals for mitigating carbon emissions from electric power generation and a wide range of industrial activities. When combined with Enhanced Oil Recovery, CCS helps create a market pull for disposing of carbon dioxide underground while helping prevent the expansion of oil drilling into new and ecologically sensitive areas such as the Atlantic and Arctic Outer Continental Shelf, or protected federal lands. Section 45Q provides a per ton tax credit for the storage of carbon dioxide (C02) through the use of EOR and is the most important benefit in the tax code for incentivizing CCS at power plants and industrial facilities. The credit should be reauthorized and expanded to incentivize this important tool in addressing climate change.

Clean Water

Green Infrastructure and Water Conservation Rebate Tax Parity:
Pollution from stormwater overflow is a growing problem for U.S. cities, while water conservation is essential to helping regions address drought. Solutions to these problems include the installation of "green infrastructure," such as green roofs, cisterns or permeable pavement, to enhance the absorption capacity of the natural landscape and replacing fixtures and landscapes with water saving alternatives. In order to encourage green infrastructure installation on private property and water conservation upgrades, regional water utilities and municipal water departments have begun offering rebates to private property owners who install green infrastructure or water saving projects. Unfortunately, the IRS has not made clear that these rebates are not taxable income, leading to confusion over the issue and, when taxes are applied, a disincentive to property owners to participate in these programs. While the IRS has the authority to clarify this issue, Congress should act as well. H.R. 4165, the Water Conservation Rebate Tax Parity Act, would help resolve this issue.

Ending 100 Years of Fossil Fuel Subsidies

NRDC supports putting an end to a hundred years of handouts to fossil fuels. Further subsidization of fossil fuels flatly contradicts our obligation to protect our children and future generations from the impacts of climate change by addressing its main cause: carbon pollution. Carbon pollution drives climate change, which triggers more asthma attacks and respiratory disease, worsens air quality, and contributes to more frequent, destructive, costly, and deadly extreme weather events. Our tax policy should heed the science that dictates the vast majority of fossil fuel reserves must remain unburned in order to avoid the worst impacts of climate change.[1]

Additionally, the National Academy of Sciences estimates that the total public health cost of fossil fuel use in the United States is $120 billion annually. Pollution from fossil fuels makes our children sick and drives extreme weather that costs the nation billions in destroyed homes, lost crops, crippled infrastructure, and devastated communities.

The President has identified roughly $4 billion annually in tax loopholes specifically for oil and gas companies. At minimum, these should be closed. Even greater environmental benefits and taxpayer savings could be made by modifying rules for dual capacity taxpayers and eliminating Last In First Out Accounting for oil and gas. Oil companies often use these provisions to minimize their tax liability. Prior NRDC analysis has shown that eliminating a similar range of oil and gas subsidies could produce taxpayer savings in the neighborhood of $80 billion over 10 years.

Congress should go even further and take a hard look at oil and gas royalties, our mining laws, and coal leasing programs which have historically padded the pockets of polluters at the expense of taxpayers.

Once again, we believe that the goal of our tax policy should be a simple one: promote clean energy and infrastructure that advances our national interest by reducing dependence on the dirty energy sources of the past and reducing harmful pollution of our air, land, water and climate. To do that, we must double down on the nation's investment in clean energy, incentivize activities that reduce pollution and end antiquated policies that promote the polluting fuels we must move away from in order to ensure the health of our children's future.

Thank you for your consideration. For more information on any of these subjects please contact Elizabeth Noll (enoll@nrdc.org) or Marc Boom (mboom@nrdc.org).

Sincerely,

Scott Slesinger
Legislative Director
Natural Resources Defense Council

[1] Intergovernmental Panel on Climate Change, "Climate Change 2014: Synthesis Report," page 63, http://www.ipcc.ch/pdf/assessment-report/ar5/syr/AR5_SYR_FINAL_Topics_2.pdf.

STATEMENT OF NGVAMERICA

UNITED STATES HOUSE OF REPRESENTATIVES

COMMITTEE ON WAYS AND MEANS

May 12, 2016

Introduction

NGVAmerica respectfully submits the following statement in response to the U.S. Ways and Means' Committee's request for information on tax reform. This statement specifically addresses current and expired tax code provisions affecting the use of natural gas vehicles. Tax reform should remove tax policies that impede economic growth and business development or that discourage critical business and technology investments. U.S. energy policy for many years has encouraged the greater use of domestic alternative fuels. These policies have included supporting research and development, education and outreach, regulatory programs and tax policy. Despite the fact that energy policy calls for the increased use of alternative fuels and alternative fuel vehicles, some provisions in the tax code have not always encouraged alternative fuels. In this regard, NGVAmerica urges the committee to take steps to level the playing field for all alternative fuels and promote broader adoption of alternative fuels and alternative fuel vehicle technologies. An example of tax policy changes that support this objective was the action taken in the previous Congress to level the playing field for liquefied natural gas. The adjustment in motor fuels tax reduced the amount of tax that LNG pays by 60 percent by providing that LNG pay the same rate as diesel fuel on an energy equivalent basis.

Natural gas vehicles have the greatest potential of available alternative fuel technologies to displace oil consumption and achieve mass market adoption across all classes of on-road motor vehicles.[1] Natural gas also is an excellent fuel for displacing petroleum in many off-road applications. Given the significant energy security, environmental, and economic benefits associated with accelerated growth in the use of natural gas vehicles, NGVAmerica believes that, at a minimum, tax reform should remove tax policies that serve as barriers to increased use of natural gas as a vehicle fuel. In addition, the Committee should consider providing incentives that encourage natural gas related investments -- along with incentives offered for other alternative fuel technologies. Tax policy should not pick technology winners and losers among the different alternative fuels. However, it is important to recognize that the various alternative fuels may require different incentives to stimulate growth. Congress should provide the appropriate incentive for each fuel. Moreover, the adoption and implementation of incentives should provide certainty regarding their duration, so that businesses and consumers can plan accordingly.

NGVAmerica is a national trade association dedicated to creating a profitable, sustainable and growing market for compressed natural gas and liquefied natural gas powered vehicles. NGVAmerica represents more than 200 companies, including vehicle manufacturers; natural gas vehicle component manufacturers; natural gas distribution,

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[1] See National Petroleum Council, "Future of Transportation Fuels" (August 2012)" (http://www.npc.org/FTF-report-080112/Natural_Gas_Analysis-080112.pdf); National Academy of Sciences, "Transitions to Alternative Vehicles and Fuels (March 2013) (http://www.nap.edu/catalog.php?record_id=18264).

transmission, and production companies; natural gas development organizations; non-profit advocacy organizations; state and local government agencies; and fleet operators.

Comments

Due to significant advancements in drilling technology and the vast natural gas resources that are now economically recoverable, the U.S. can displace a significant share of its petroleum imports with domestically-sourced, cleaner-burning natural gas in the transportation sector. Studies by credible experts have concluded that the U.S. has an expansive natural gas resource base. Current estimates forecast that the United States has over 100 years of natural gas supply at the current rate of consumption, and that estimate is expected to increase with further advances in production technology.

Today, despite increased domestic oil production and declining use of conventional fuels, the U.S. continues to *annually* send hundreds of billions of dollars overseas for imported oil.[2] That money would be much better spent here in the U.S. on domestic alternative fuels, helping to improve our domestic economy, helping to transition to a cleaner economy, and providing new job opportunities. Displacing petroleum with natural gas provides huge economic benefits to the U.S. economy. It creates and sustains jobs in the domestic natural gas industry and related industries (e.g., processing, handling, transmission and distribution of natural gas). Studies estimate that the natural gas industry currently supports nearly 2.2 million jobs. Increased domestic production will *add* to these numbers. A study commissioned for America's Natural Gas Alliance indicates that in the next several decades 1.6 million *new jobs* will be created as a result of the growth in shale gas production.[3] This study also projects that the industry will make $1.9 trillion in capital expenditures between now and 2035 to support expanded development of domestic shale gas. The production of natural gas also directly benefits federal and state budgets because of the taxes paid, royalties and other fees associated with development and production.

Displacing petroleum imports with natural gas for transportation not only keeps dollars here in this economy but it lowers the transportation costs for U.S. businesses making them more competitive, and allowing them to expand their businesses. Fleets converting to natural gas will be able to lock-in these lower costs for years because the price outlook for natural gas is stable. EIA's 2015 *Annual Energy Outlook* projects that natural gas will continue to be priced competitively with diesel and gasoline for many years to come. EIA projects a discount of about 40 – 70 cent for natural gas compared to diesel fuel for the

[2] U.S. Energy Information Administration, 2015 *Annual Energy Outlook* (Reference Case) Liquid Fuels Supply and Disposition (2013 $307 billion, 2014 $249 billion, 2015 forecast $126 billion). Over time, these payments represent trillion of dollars of investment that could be taking place in the U.S.

[3] IHS Global, *The Economic and Employment Contributions of Shale Gas in the United States* Prepared for ANGA (December 2011).

2015 – 2016 timeframe and at an even greater discount in future years as petroleum prices return to higher levels.

The decline in oil prices has brought new attention to the factors that drive the price and stability of transportation fuels. Despite the low price of oil, there is still a compelling case for moving away from petroleum to alternative fuels like natural gas. The long-term stability and a low price of natural gas continues to be an attractive hedge against the volatility and unpredictability that exists with oil. From an energy security standpoint, it continues to make sense to encourage greater use of domestic natural gas as a hedge against the turmoil and strife that exists in the Middle East and oil producing regions of the world. The recent decline in crude oil and related gasoline and diesel prices also masks the underlying long-term oil supply-demand imbalance. Fleets and business realize that it makes sense to continue to transition to natural gas as a transportation fuel.

Today, there are about 155,000 natural gas vehicles on the road in the United States, compared to about 17 million worldwide. In the U.S., virtually every heavy-duty truck manufacturer and most transit bus manufacturers offer a selection of natural gas vehicles. Many prominent light duty manufacturers – FCA, Ford, GM - offer factory built products or have arrangements with suppliers to make natural gas vehicles available to their customers. Fuel providers also have been actively adding to the number of fueling outlets that offer vehicular natural gas. Today, there are more than 1,600 natural gas fueling stations in the U.S. This total is up significantly from just a few years ago. The capital required to build out these stations represents $250 - $500 million a year in new investment. The pace of this investment is expected to pick up as even more stations are built. However, the total number of stations is still miniscule compared to the nearly 150,000 gasoline service stations. And the sale of natural gas for transportation, while making sizable gains in key markets like transit and refuse, remains small relative to the overall market for transportation fuel.

The near-term prospects for natural gas are best in high-fuel use applications where the pay-back or return on investment is most economical. It is for this reason that natural gas holds the potential to vastly change the freight transport and heavy-duty transportation market. Truckers are not just interested in today's low natural gas prices but also are interested in the prospect of price stability and the long-term outlook for locking in lower fuel prices with natural gas. For many applications, however, the incremental cost of natural gas vehicles is currently too high even with the lower fuel price because these applications simply do not use enough fuel to provide a return on investment in the necessary time period (often 2 -3 years for most fleets).

As the natural gas industry grows and larger numbers of vehicles are produced, the first-cost of natural gas vehicles will come down because of economies of scale and competition. That process would be greatly accelerated by removing tax barriers that currently are impeding the growth of natural gas vehicle use, and, further, by providing targeted incentives to the early adopters of natural gas vehicles and to the businesses investing in fueling stations. Providing incentives for natural gas vehicles would also show the auto manufacturers that U.S. policy makers truly do support all alternative fuels.

Building out a national fueling infrastructure to support a new fuel like natural gas is a daunting task. It requires enormous capital and confidence that the demand for the new fuel will materialize. Tax policy can have a positive impact on this effort. Providing tax incentives can help accelerate the investments in natural gas vehicles and increase demand for vehicles. This, in turn, will encourage more businesses to develop fueling stations that provide natural gas, and it will reward manufacturers who are investing in producing natural gas vehicles and natural gas fueling equipment. It also is important that governmental policies ensure access to low-cost natural gas supplies, and foster the right type of environment for investment. For this to be truly sustainable effort, more fleets and more businesses need to be encouraged to invest in this market.

Specific Proposals for Tax Policy Changes

Federal Highway Excise Tax (FET) on Heavy-Duty Trucks (IRC 4051, 4053)

The tax code currently imposes a 12 percent federal excise tax (FET) on the sale of heavy-duty trucks, trailers, and tractors. This tax is the highest excise tax on a percentage basis on any product. The FET is an onerous tax burden to customers who want to buy newer, cleaner, safer, more fuel efficient trucks, and the FET is an incredibly volatile means of funding the highway trust fund (HTF). It discourages new truck purchases because it substantially raises the cost of all new truck purchases, diesel and alternative fuel alike by 12%. Trucks are also subject to other taxes such as sales and tire taxes. The cyclical nature of trucks sales means that it is difficult to predict the FET contribution to future highway trust fund revenues.

Many organizations have argued that the FET should be eliminated altogether because it raises the capital cost of purchasing trucks and discourages new sales.[4] NGVAmerica supports this viewpoint. This tax is even worse in the case of alternative fuel trucks because these trucks include new technology and are sold in limited quantities, and, as a result have a much higher first cost or incremental cost than conventional trucks. The tax acts as a penalty for alternative fuel trucks because the 12% rate is assessed not only on the base cost of the truck but also on the incremental cost, unnecessarily adding to the already higher cost of these vehicles. The higher tax increases natural gas truck prices and extends the required payback period for these trucks. The FET makes it harder for many businesses who may be considering natural gas trucks to justify that initial purchase.

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[4] See HR 4321 (112th Congress). This proposal is revenue neutral as it proposes an increase in the diesel fuel tax or motors taxes in order to offset the lost revenue to the Transportation Trust Fund.

Fuel Type	Truck Price	12% FET per IRC § 4051	Total Price	Additional Tax
Diesel	$125,000	$15,000	$140,000	
Natural gas	$185,000	$22,200	$207,200	$7,200

Proposal

Congress should eliminate the FET on trucks, or at a minimum amend section 4051 so that the incremental cost of natural gas trucks and other advanced technology trucks is exempt from the tax. This particular section already exempts auxiliary power units that are intended to reduce petroleum consumption and pollution. The exemption for auxiliary power units is found in section IRC 4053; therefore, it is recommended that an exemption for the incremental cost of natural gas vehicles and other technologies also be listed in IRC 4053. This change should be permanent. This policy change would have only minimal budgetary impact because the number new natural gas trucks covered by this tax is relatively small; probably less than a 4,000 trucks per year. Over time, this change would result in *no less revenue* than if the status quo continued (i.e., the U.S. continued to rely on petroleum fuels and petroleum fueled vehicles).

Inland Waterways Tax on Fuel Used in Marine Transportation

In 2014, an increase in the inland waterways tax on fuel used in marine transportation was enacted into law in order to make sure the inland waterways trust fund is adequately capitalized. Effective after March 31, 2015, the inland waterways tax increased from 20 to 29 cents per gallon of diesel, Liquefied Natural Gas (LNG), or any other fuel used in marine transportation on the inland waterways.

LNG is just beginning to be used to power marine vessels on the inland waterways and will compete with diesel as a transportation fuel for the large marine vessels used on the inland waterways. LNG produces significantly lower emissions than diesel fuel, including lower levels of carbon dioxide, nitrogen oxide and sulfur dioxide. Using LNG instead of diesel fuel also reduces pollution from so-called “black carbon,” also known as soot. Black carbon is a major contributor to climate change, second only to carbon dioxide in the amount of heat it traps in the atmosphere once emitted.

According to the Oak Ridge National Laboratory, diesel fuel has an energy content of 128,700 Btu per gallon (lower heating value) and LNG has an energy content of 74,700 Btu per gallon (lower heating value). Therefore, a gallon of LNG produces approximately 58 percent of the energy produced by a gallon of diesel fuel. On an energy equivalent basis, it takes about 1.7 gallons of LNG to provide the same amount of energy as a gallon diesel. In other words, a user of LNG in marine transportation effectively pays almost fifty cents (1.7 x 29 cents) in tax for the same amount of energy contained in a gallon of diesel fuel.

This current tax treatment of LNG to power vessels on the inland waterways is a disincentive to investment in new LNG powered marine vessels. Legislation to correct this inequity (The Waterways LNG Parity Act of 2015) has been introduced by Senators Cassidy and Bennet (S. 2378) and by Rep. Young (HR 3431). The Joint Committee on Taxation in a letter dated March 31, 2016 indicated that the estimated reduction in federal revenues over ten years from adjusting this tax would only be $3 million.

The Congress last year addressed a similar issue in the way LNG is taxed when used as an on-road motor fuel. Section 2008 of Public Law 114-41 enacted a change in the tax treatment of LNG under the highway trust fund excise taxes. LNG for highway use is now taxed at 24.3 cents per energy equivalent of a gallon of diesel.

Proposal

Change the Inland Waterways Financing rate on LNG so that the tax is imposed on the energy content of a diesel gallon (known as a diesel gallon equivalent) rather than on a per gallon basis. LNG has huge potential as a cheaper, cleaner, domestic energy source and the financing mechanism for the inland waterways system should not put its use at a disadvantage. Section 4042(b)(2)(A) of the Internal Revenue Code should be amended so that the tax on LNG is imposed on a diesel gallon equivalent basis.

Income Tax Credits for Acquiring Natural Gas Vehicles (IRC 30B)

The Energy Policy Act (EPAct) of 2005, PL 109–58, provided for an income tax credit for the purchase of a new, dedicated natural gas vehicle of 50 percent of the incremental cost of the vehicle, plus an additional 30 percent if the vehicle met certain emission standards. The credits ranged from $2,500 to $32,000 depending on the size of the vehicle. The credit went into effect January 1, 2006 and expired December 31, 2010. This incentive also applies to other types of alternative fuel vehicles. Congress has not extended the Section 30B credit but it has enacted new incentives for electric vehicles that continue to remain in effect. Specifically, section 30D of the tax code provides up to a $7,500 tax credit for the purchase of an electric vehicle. NGVAmerica does not question the appropriateness of this electric vehicle credit. It does believe that Congress should provide a comparable incentive for light-, medium- and heavy-duty natural gas vehicles, creating a level-playing field for alternative fuels.

Of all the tax incentives intended to encourage natural gas vehicles, NGVAmerica believes that the tax incentive for purchasing vehicles is the most effective tool because it directly rewards businesses, fleets and individuals for investing in natural gas vehicles. This would directly support all aspects of the natural gas vehicle industry value chain, from equipment suppliers, to vehicle manufactures, fuel sellers, and station owners. Previous Congress' have proposed modifying these tax credits so that they also extend to bi-fuel natural gas vehicles that operate primarily on natural gas; the expired Section 30B tax credits for natural gas vehicles only covered the purchase of dedicated vehicles or vehicles that operate exclusively on natural gas. The inclusion of bi-fuel vehicles[5] is important and sound policy, particularly in the case of light duty vehicles and vehicles operated by consumers who may have concerns about the ability to take extended trips with their natural gas vehicles.

Proposal
Congress should reinstate the incentive for natural gas vehicles and extend it for a period of five years. The credit also should be expanded to provide an incentive for bi-fuel vehicles that operate primarily on natural gas and rely on gasoline or diesel as a backup.

Excise Tax Credit to the Seller of CNG or LNG (IRC 6426, 6427)
The Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users (SAFETEA-LU), PL 109–59, provided a 50-cent incentive per gasoline gallon equivalent (GGE) of compressed natural gas (CNG) and per gallon of liquefied natural gas (LNG) sold for use as a motor vehicle fuel. See 26 USC §§ 6426, 6427. The incentive also applies to other types of alternative fuels (e.g., propane, hydrogen). This incentive serves as a tax credit for taxable entities and a payment in the case of tax exempt entities, such as state agencies, transit authorities, school districts and public universities. The credit went into effect October 1, 2006 and originally expired December 31, 2009. Congress has extended this credit several times with the most recent occasion extending it through the end of 2014. This incentive generally goes to retailers but can go to users if there is no retail transaction. This incentive directly benefits public fleets such as school districts, transit agencies, and other state and local government fleets that own fueling infrastructure.

This incentive is particularly effective in helping to offset the cost of owning and operating natural gas vehicles and accelerating the return on investment. And it is the only incentive that directly goes to or benefits tax exempt entities because the other federal incentives for alternative fuel vehicles and fueling infrastructure are income tax credits that can only be claimed by taxable entities.

Proposal
Congress should extend this incentive for five years with the other incentives for natural gas vehicles. This extended period is important since it provides vehicle buyers certainty, which facilitates longer term planning.

Income Tax Credit for Installing Alternative Fuel Infrastructure (IRC 30C)
The Energy Policy Act (EPAct) of 2005, PL 109–58, included an income tax credit equal to 30 percent of the cost of natural gas refueling equipment, up to $30,000 in the case of large stations and $1,000 for home refueling appliances. See 26 USC § 30C. This incentive also

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[5] Bi-fuel NGVs are vehicles that are capable of operating on natural gas or gasoline but not on a mixture of both fuels at the same time. U.S. EPA regulations refer to these vehicles as dual-fuel vehicles.

applies in the case of infrastructure used to dispense other alternative fuels (e.g., electricity, hydrogen, propane). The credit went into effect after December 31, 2005, and expired as of the end of 2014.

A new natural gas fueling station can cost from $400,000 to $4 million depending on the type of station and the number of dispensers, storage capacity, and on-site compressors. Thus, the ability to claim the $30,000 tax credit is useful for smaller, private businesses who are installing their own fueling stations but likely is not a significant enough to factor into the decision making of businesses installing large natural gas fueling stations. The $1,000 home fueling appliance credit has likely not been used in the past several years as there are no low-cost home refueling appliances available. However, several manufacturers are working to bring home refueling appliances for natural gas vehicles to the market and the $1,000 credit if expanded and left in place for a 5-year period could stimulate the market for such products.

Proposal
To continue to accelerate the growth of NGVs, NGVAmerica supports an extension of these infrastructure facility incentives for a period of five years.

Conclusion
NGVAmerica appreciates the opportunity to provide the committee with comments on specific tax policy provisions that affect the use of natural gas vehicles. The U.S. has an unprecedented opportunity to significantly reduce its reliance on foreign petroleum and to improve its economic competitiveness by encouraging greater use of domestic natural gas. Greater use of domestic natural gas stimulates job growth and provides state and local revenues, and also federal royalties. One of the best ways to use more cleaner-burning, domestic natural gas here in the U.S. is to encourage its use as a transportation fuel. This directly offsets petroleum use, provides lower emissions, and stimulates investment and job growth here in the U.S. Now is the time to act to encourage the increased use of natural gas vehicles. Using natural gas as a transportation fuel also will help fleets and businesses lower their operating costs, thus improving overall economic prosperity. Tax policies can aid in accelerating the successful market penetration of natural gas vehicles and thereby accelerate the achievement of the benefits provided by natural gas vehicles. In order to be effective, policies that provide incentives need to provide certainty for businesses and industries and remain in place for a specific number of years, preferably five years or more. Also, tax policy should remove existing barriers that discourage capital investments in new advanced technologies. NGVAmerica looks forward to the opportunity to provide further assistance to the committee in understanding how these issues impact our industry,

For additional information concerning this statement, please contact:

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NSWA
National Stripper Well Association

Statement for the Record for the House Committee on Ways and Means
Subcommittee on Tax Policy
Hearing on Member proposals for improvements to the U.S. tax system
Thursday, May 12, 2016, 10:00 A.M.

National Stripper Well Association Chairwoman Darlene Wallace

Chairman Boustany, Ranking Member Neal and members of the Committee, the National Stripper Well Association is the only national trade association which represents producers and operators of marginally economic crude oil and natural gas wells in the United States. Today, we are submitting this statement in support of Rep. Lynn Jenkins and her legislation, HR 4672, to eliminate the net income limitation on percentage depletion.

Our membership and America's stripper wells make up approximately 80% of all domestic wells, producing almost 17% of U.S. oil and natural gas making a significant contribution to the nation's economic security and our local communities.

Worldwide it should be noted that the United States is the only country with significant production of stripper wells, and one of the few countries in the world with private mineral rights that makes it possible. Nationwide, approximately 400,000 jobs are directly or indirectly dependent upon marginal or stripper oil and gas wells. In fact, U.S. stripper wells collectively produce 1.2 million barrels per day and NSWA is the only national association that represents solely the interests of the marginal well producers and operators before Congress, the Administration and the Federal bureaucracies.

Established in 1934, NSWA has been at the forefront of the battles in Congress to promote domestic industry, to decontrol the price of stripper oil, helped lead the fight to eliminate the windfall profit tax on stripper well producers and recapture precious ground lost in the seemingly never-ending battle over percentage depletion.

Today, small and marginal oil and gas producers are facing one of the toughest times in industry history. In today's globally competitive oil and gas marketplace, small stripper well operators and marginal producers are competing against multinational foreign competition and booming domestic production. However, while this low-price, high-competition environment appears good for consumers, it has tremendous potential to shut down the smallest operations.

That is why the owners and operators of America's smallest, most economically-vulnerable oil and gas production are calling on Congress to restore the tax provision providing for the suspension of the net income limitation on percentage depletion for oil and natural gas produced from marginal properties. This important relief is critical to preserving the production of oil and natural gas from marginal oil and natural gas properties. There are many reasons this effort is critical today.:

- Removing the net income limitation on property basis will allow operators to utilize the tax provisions the same way they operate their facilities, by sharing costs across a variety of different wells with different production expenses.

- Allowing operators to utilize more of their percentage depletion allowance from high-cost wells will keep more of those wells open and in production. Once shut-in and abandoned, stripper wells likely never operate again. This limitation puts at risk thousands of the more than 600,000 marginal oil and natural gas wells in the United States, which collectively produce approximately 1.2 million barrels per day of oil production and nearly 5.8 billion cubic feet of natural gas per day.

- Percentage depletion was established to ensure the maximum conservation of resources from production facilities that already exist. By restricting the use of percentage depletion, Congress retreats from this conservation goal, leading to shut-in wells and lost production.

According to a 2015 economic impact report commissioned by the National Stripper Well Association, and conducted by global research firm IHS, loss or change of the percentage depletion allowance will cause marginal wells to be abandoned, causing direct, indirect and induced job loss of more than 292,000 individuals. In the oil and gas industry, the direct effect of abandonments is $5.3 billion in lost worker earnings and 83,000 potential jobs lost, according to a report produced by the National Stripper Well Association.

Now as producers are struggling in this tough economic environment in the oil and gas sector, we are asking Congress to restore the suspension of the net income limitation on percentage depletion for oil and natural gas produced from marginal properties. This important relief is critical to preserving the production of oil and natural gas from the most marginal oil and natural gas prospects.

In 2013, Congress allowed the exemption from net income limitation on percentage depletion to lapse, and the time has come for Congress to reinstate and make permanent this important allowance. Before this Committee today you will hear about legislation, HR 4672, introduced by Rep. Lynn Jenkins (R-KS) that would accomplish this goal. We hope the Committee will strongly consider this legislation and help make the tax code work for small businesses and protecting jobs and energy production by America's small oil and gas producers. Attached with this statement is a letter signed by 14 national and state oil and gas associations in support of legislation restoring the net income exemption.

Thank you for your time and consideration.

Darlene Wallace

Darlene Wallace

Chairwoman, National Stripper Well Association

Attachment 1: *Support letter*

March 1, 2016

Representative Lynn Jenkins
1526 Longworth House Office Building
Washington, DC 20515

Dear Representative Jenkins:

We strongly support your introduction of legislation to remove the net income limitation on percentage depletion for oil and natural gas produced from marginal properties. This important relief is critical to preserving the production of oil and natural gas from the most marginal oil and natural gas prospects. We appreciate your sponsorship of this legislation and plan to work to urge other Representatives to support your efforts for this important legislation that will protect jobs, strengthen America's energy security, and enhance the climate for small businesses in America.

In 2013, Congress allowed the suspension of the net income limitation on percentage depletion to lapse, and the time has come for Congress to make permanent this important concept. In today's globally competitive oil and natural gas marketplace, small stripper well operators and marginal producers are competing against multinational foreign competition as well as new booming American production. However, while this low price, high competition environment appears good for consumers, it has tremendous potential to shut down the smallest, most marginal operations. These are exactly the kind of operations the percentage depletion allowance was established to encourage by ensuring that American producers have the capacity to safeguard the full and responsible conservation of our natural resources.

Without this exemption, the deductible allowance for oil and natural gas production is limited to a property's net income. In a low-price competitive environment that can mean if a property suffers losses or the net income is less than the 15 percent of gross revenue, the ability to use percentage depletion is unreasonably limited. This limitation puts at risk thousands of the more than 600,000 marginal oil and natural gas wells in the United States, which collectively produce approximately 1.2 million barrels per day of oil production and nearly 5.8 billion cubic feet of natural gas per day. Across America, these independent owners and operators are the small business sector of the American oil and natural gas industry, and it is vital we keep them in operation.

However, according to the Department of Energy, between 1994 and 2003, the United States lost 110 million barrels of crude oil production because of the plugging and abandoning of marginal wells. In addition, marginal wells are economic multipliers for communities as well as local, state and federal budgets. For every $1 million directly generated by stripper well production, more than $2 million in economic activity is generated elsewhere. Each additional $1 million of stripper well production employs 10 workers directly and indirectly, with some producers employing as many as 15 workers. If all marginal wells were abandoned, 292,374 individuals would lose their jobs. In the oil and gas industry alone, the effect of abandonments is $5.3 billion in lost worker earnings and 83,000 potential jobs lost, according to an economic impact report produced by the National Stripper Well Association.

Small independent producers and businesses use the percentage depletion allowance for capital to invest in current wells, as well as exploration to drill more. Percentage depletion plays a significant role in keeping America's marginal wells producing and is a vital accounting mechanism for the country's small independent petroleum companies, investors, and royalty owners alike.

Sincerely,

Mike Cantrell, Chairman
National Stripper Well Association

Barry Russell, President and CEO
Independent Petroleum Association of America

Edward Cross, President
Kansas Independent Oil & Gas Association

Albert L. Modiano,
US Oil & Gas Association

Jerry R. Simmons, Executive Director
National Association of Royalty Owners

Pete Regan, Executive Director
Domestic Energy Producers Alliance

Mac McDermott, President,
Northern Montana Oil & Gas Association

D. Alex Mills, President & Chief of Staff
Texas Alliance of Energy Producers

Shawn Bennett, Exec. Vice President
Ohio Oil and Gas Association

Ohio Oil and Gas Association

Rock Zierman, Chief Executive Officer
California Independent Petroleum Association

CIPA

Ed Longanecker, President
Texas Independent Producers & Royalty
Owners Association

TIPRO

Mike Terry, President
Oklahoma Independent Petroleum Association

OIPA

CC: Chairman Kevin Brady, House Ways and Means Committee
Ranking Member Sander Levin, House Ways and Means Committee

May 26, 2016

Subject: RE: Sec179D Energy Efficient Commercial Buildings Deduction Should Be Extended

Dear Chairman Brady, Chairman Boustany, Ranking Member Levin, and Ranking Member Neal:

I am writing to you today in regards to the Subcommittee on Tax Policy's recent member day hearing on tax legislation. We applaud the commitment voiced by Chairman Brady at the hearing to return to a regular order process for consideration of improvements to the tax code. As you seek ways to grow our economy and create jobs, we strongly urge a multi-year extension of the Section 179D tax deduction for energy efficient commercial and multifamily buildings at the earliest opportunity before it expires on December 31, 2016.

At OSRAM Sylvania, headquartered in Wilmington, Massachusetts, with a more than 100 year old commitment to lighting innovation, we view Section 179D as enabling many businesses, especially small business, to afford the lighting renovations they need to improve their lighting quality and reduce their energy consumption. This tax deduction allows businesses to reduce the payback period associated with their investment and that can be the difference in a project going forward. Because 179D calls for an overall reduction in lighting power density (the lighting power density must be below the minimum required by ANSI/ASHRAE/IES Standard 90.1 to qualify for the deduction), rather than specifying required lamp types or efficacies, we are able to offer customers lighting solutions tailored to their needs. In short, the extension of 179D is in the best interest of our citizens, consumers and businesses.

As you know, 179D directly supports two national priorities: Job Creation and Energy Independence. 179D was introduced into the tax code with the Energy Policy Act of 2005. It has been extended four times and will expire on December 31, 2016. Since the inception of 179D, it has assisted thousands of building owners and tenants in retaining jobs and increasing profitability; it has also increased job creation in the trades, where energy efficiency retrofits create large numbers of high paying jobs for a labor pool that was particularly impacted by the economic downturn. At the same time, 179D helps reduce our nation's dependence on foreign oil, thereby increasing America's energy security.

Jobs

Energy efficiency projects require enormous skilled and semi-skilled work forces. By cost-justifying projects, EPAct therefore plays a direct role in supporting a major source of employment in our state.

Lighting retrofits require lighting designers, laborers to remove and dispose existing fixtures, distribution centers to store the new lighting material, laborers to stage the new material near the job site and electricians to install the new fixtures.

HVAC retrofits require engineers for project system design, substantial U.S. manufacturing activity (most HVAC equipment is heavy and made in the U.S.), U.S. steel procurement and HVAC mechanics to install.

The building envelope involves a wide variety of manufactured and workshop materials including roofs, walls,

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windows, doors, foundations and insulation. In addition to the labor required to create these products, large numbers of roofers, carpenters, installers and laborers are needed to handle the material and incorporate it into a building.

In addition, reduced building expenses allow for the retention of jobs on the building owners' end.

Energy Security

Our nation's goal of becoming energy independent cannot be achieved through domestic oil and natural gas production alone. Energy Efficiency is an untapped natural resource. Commercial Buildings represent 20% of our nation's energy use. "Drilling" for building energy efficiency is the least costly natural resource we have. For building owners, the upfront cost of retrofitting is expensive, but with utility and government assistance working together with building owners, energy use reductions between 20% and 50% can be obtained.

Commercial building energy efficiency is a critical way by which utilities can meet newly established national guidelines for carbon emission reductions. By improving the cost benefit equation of an energy efficiency retrofit, Section 179D thereby plays an important role in helping utilities comply with national policy while simultaneously reducing the need for the construction of costly new power plants.

Looking Ahead

Today, taxpayers and industry understand how to prospectively use 179D to achieve the greatest possible energy reduction far better than they did eight years ago. This extension will empower our country to realize major energy efficiency gains and will not represent a material cost to Treasury. With the use of dynamic scoring the efficiency gains will increase taxable income over time for commercial building owners, and thereby reducing Treasury's losses from accelerating the depreciation. The tax collected from added profits obtained through energy savings quickly outweigh the foregone tax revenue created by 179D.

Conclusion

Section 179D supports a key investment in the American economy: energy efficiency. Energy efficiency is a force-multiplying investment that saves energy, saves money, and sustains and creates American jobs. Comprehensive energy efficiency upgrades drastically improve the reliability and performance of the nation's building stock, while reducing demand on our energy supply. We urge you to include multi-year extension of EPAct 179D in upcoming legislation.

Sincerely,

Jacqueline Boas

Jacqueline Boas

Head of Communications & Brand, OSRAM Americas

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Comment to House Ways and Means Tax Policy Subcommittee
On H.R. 2481, The Domestic Research Enhancement Act of 2015

May 26, 2016

Members of the House Committee on Ways and Means:

On behalf of Pennsylvania Bio and our 680 member companies, I write in support of Representatives Pat Meehan (R-PA), George Holding (R-NC), and G.K. Butterfield (D-NC) legislation, H. R. 2481, "The Domestic Research Enhancement Act of 2015." This bipartisan legislation allows clinical research organizations (CROs) to receive a partial benefit of the research and development (R&D) tax credit for their qualified domestic research. Similar legislation introduced by Senators Pat Toomey (R-PA) and Tom Carper (D-DE) included a similar proposal in S.537, "The COMPETE Act of 2015" which was also introduced as an amendment during the Senate Finance Committee's consideration of the Protecting Americans from Tax Hike Act of 2015 last year.

Under current law, when a company contracts with another to conduct its R&D, the allowable expenses towards determining its R&D tax credit drops from 100 percent to 65 percent. At the same time, the contract company conducting the research is prohibited from claiming the R&D credit even though the research would otherwise be qualified. As a result, 35 percent of the R&D credit is lost even though it is conducted in the US and would otherwise qualify.

The Meehan/Holding/Butterfield legislation, H.R.2481, would address this antiquated limitation and allow the R&D contract research company to claim the applicable research credit for the remaining unused 35 percent of eligible, domestic R&D expenses. As under current law, the contracting business can still claim 65 percent of qualifying research spending for purposes of the credit. Their R&D tax credit would not change.

Historically, life sciences companies conducted most of their research and development in-house, but in recent years a dramatic shift has occurred and the majority of this work is now contracted-out to specialized clinical research organizations (CROs). As a result, CROs have rapidly increased in size, more than doubling their employment in the past 10 years and contributing to the development of approximately 95 percent of all new drugs that are approved globally each year.

In recognition of the importance of having these clinical trials conducted domestically, many countries like France, Canada and the United Kingdom are offering incentives to encourage companies to locate and operate inside their borders. In fact, in these jurisdictions CROs claim 100 percent of the applicable R&D credit.

In order to remain competitive globally, the U.S. must continue to be an attractive location for clinical trials. In 2013, life sciences companies invested $400.6 million in 1,972 individual clinical trials in Pennsylvania. This data further underscores the need for a competitive tax environment that will facilitate robust, domestic clinical research for drugs, devices, treatments and processes.

H.R. 2481 ensures that CROs can continue to invest in U.S. jobs in an ever-competitive global marketplace. When the CRO community thrives the greater life sciences ecosystem benefits tremendously. Together, Pennsylvania life sciences companies employ approximately 85,000 direct employees in the Commonwealth with an average annual salary of $125,336 (2016).

Through pro-growth tax policy like the Meehan/Holding/Butterfield bill, the U.S. and Pennsylvania can remain a leader in clinical research and continue to produce high-skilled and high-paying research jobs. A strong domestic clinical research industry ensures innovative, treatments and cures will be available to patients in the U.S. first.

Thank you for this opportunity and consideration of this submission.

The Honorable Charles Boustany
Chairman
Ways and Means Tax Policy Subcommittee
1431 Longworth House Office Building
United States House of Representatives
Washington, D.C. 20515

The Honorable Richard Neal
Ranking Member
Ways and Means Tax Policy Subcommittee
341 Cannon House Office Building
United States House of Representatives
Washington, D.C. 20515

May 25, 2016

Dear Chairman Boustany and Ranking Member Neal:

Thank you for your leadership in initiating a discussion of the direction and scope of U.S. tax policy. On behalf of the Pew Clean Energy Initiative, I am providing written testimony to urge your consideration and adoption of tax provisions that will help strengthen our nation's position in the burgeoning clean energy marketplace and our energy security.

Historically, tax policy has played a central role in encouraging U.S. energy innovation, production, deployment and trade. Some incentives have been in place for more than a century, encouraging the maturation of fossil resources, including coal, oil, and natural gas. Subsidies also helped spur the development of the nuclear industry in the United States. In recent years, tax incentives have advanced alternative energy sources like solar, wind, geothermal, fuel cells, and biomass. All of these efforts have created a stronger, more diverse energy portfolio for the United States and made us less dependent on foreign nations for fuel supplies. As a result, the country has a range of power options that make our electricity system more resilient, secure, and affordable.

It is in our national interest to continue developing innovative technologies in order to remain competitive in the global energy economy. According to the International Energy Agency, renewable generation will surpass that from natural gas and double the amount from nuclear power by 2016, becoming the second most important global electricity source. Over a longer timeframe, Pew research projects that worldwide electric generating capacity from renewable sources will grow nearly six-fold by 2030. Companies and countries are turning to these resources because they enhance energy security, protect the environment, and grow new industries.

Clean energy represents a significant economic opportunity for U.S. innovators, entrepreneurs, manufacturers, project developers and investors. In 2014, $310 billion was invested worldwide in clean energy goods and services, growing almost 17 percent from 2013. By 2030, renewables will attract approximately $5 billion annually—or more than 65 percent of private investment in global power generation. Unfortunately, U.S. competitiveness in the sector is only as certain as our policies.

The Pew Clean Energy Initiative has undertaken research and worked closely with industry to understand the challenges that businesses are facing and how these impact the United States' competitive position in the clean energy marketplace. Time and again, experts have cited policy uncertainty as the overriding impediment to clean energy investment and progress by businesses and investors. The inconsistent nature of U.S. tax incentives makes it challenging for our companies to develop the supply chains and business models they need to succeed and for investors to have the assurance they require to deploy capital. Our annual research tracking clean energy investment and deployment trends clearly demonstrates that policy matters. Those countries with consistent, long-term energy and tax policy are most likely to attract private investment.

We urge you to consider several key principles and tax initiatives that the Pew Charitable Trusts supports in order to strengthen the United States' ability to capitalize on the emerging domestic and international clean energy markets:

First, reinforce existing incentives for clean energy technologies.

The Production Tax Credit and Investment Tax Credit, commonly referred to as the PTC and ITC respectively, have been cornerstones of U.S. energy policy for much of the past decade. These credits have helped stimulate investment, deployment, and manufacture of renewable and efficient products and processes, thereby driving down technology costs and encouraging deployment.

The Fiscal Year 2016 Consolidated and Further Continuing Appropriations Act, H.R. 2029, known as the 2016 omnibus package, provided extensions of tax incentives for wind and solar power, but omitted the inclusion of several other advanced energy technologies that are qualifying technologies under the ITC and have a place in the future of the U.S. power generation mix.

The omnibus phased out the PTC for wind, under Section 45 of the Internal Revenue Code, over a period of five years. The bill also phased out the 30 percent investment tax credits for solar power, both under the Section 48 investment tax credit and Section 25D residential incentive. However, the omnibus bill did not extend incentives for other technologies in Section 48, such as combined heat and power (CHP), fuel cells, geothermal, microturbines and small wind property. Nor did it provide extensions for non-solar technologies in Section 25D, such as fuel cells, geothermal heat pumps and small wind property.

I urge you to act immediately to extend the PTC and ITC across the board and establish parity for these technologies. The incentives are critical for reducing costs, allowing greater competition among all of our nation's energy sources, creating jobs, and diversifying our nation's energy mix.

Additionally we recommend that the ITC provide parity to efficient industrial energy technologies.

We must harness technologies that encourage power generation efficiency and resiliency, reduce pollution, and enhance productivity. Combined heat and power and waste heat to power (WHP) systems capture the wasted thermal output usually released into the atmosphere and use it to heat nearby buildings and/or to generate additional electricity. These units are typically fueled with natural gas, biomass, waste, wood, and sometimes coal. CHP and WHP systems can provide base load electricity generation with at least double the efficiency compared to typical grid power. If located on-site at a manufacturing facility, hospital, school, or residential building, these systems can also improve resiliency against power outages.

The ITC, as currently constructed, offers narrow capacity limits for CHP systems, disqualifying many worthy projects. We recommend that the ITC or any comparable credits in the future increase the credit from 10 to 30 percent of the capital costs of a project, increasing the project cap from the first 15 megawatts (MW) of the project to the first 25 MW, and eliminating the 50 MW system-wide cap.

Furthermore, waste heat to power installations could monetize 10 GW of clean electricity, heating, and cooling capabilities – yet they are excluded from the current definition of the ITC. Since there is no fuel used in capturing waste heat, this technology should be included in future tax incentives at the same rate as other renewable and efficient competitors.

The bipartisan POWER Act (H.R. 2657) would give CHP technologies parity with other low emission sources, remove restrictions that limit the full use of this efficient resource, and include waste heat to power as a qualifying technology under the ITC. We urge you to include this measure as part of any legislation aimed at improving the U.S. tax system.

Our final recommendation concerns expanding Master Limited Partnerships (MLPs), to clean energy technologies.

A wide variety of economic, regulatory, and legal barriers favor incumbent technologies. These barriers threaten the ability of new companies to gain a competitive foothold, diminish consumer choice, and inflate the prices of emerging technologies. Government tax policy should help break down barriers to competition. Expanding MLPs to clean energy technologies is a critical way to create greater parity in the tax code among energy resources.

MLPs are business structures that allow taxation at the stakeholder instead of corporate level and provide greater access to low-cost capital. They are a proven mechanism for leveraging financing for the traditional power sector, having attracted more than $450 billion of investment to fossil fuel projects in the U.S. over the last 30 years. However, clean energy systems do not have access to these incentives, placing them at a financial disadvantage. Congress should pass the bi-partisan MLP Parity Act (H.R. 2883) to extend MLPs to a broad suite of energy technologies, thereby allowing them to access a larger pool of private capital.

Thank you again for the opportunity to provide written testimony. We hope these recommendations give context to your work and demonstrate that the tax initiatives Congress adopts will shape America’s economic, environmental, and energy future for many years and decades to come. We look forward to working with you as Congress considers policy measures that will improve the U.S tax system for the energy industry.

Sincerely,

Phyllis Cuttino
Director, Clean Energy Initiative
The Pew Charitable Trusts

Comment to House Ways and Means Tax Policy Subcommittee on H.R. 2481, The Domestic Research Enhancement Act of 2015
May 16, 2016

Pharmaceutical Product Development, LLC (PPD) is pleased to offer the following comments to the House Ways and Means Tax Policy Subcommittee regarding H.R. 2481, The Domestic Research Enhancement Act of 2015. PPD is a leading global contract research organization (CRO) providing comprehensive, integrated drug development, laboratory and lifecycle management services. Our clients and partners include pharmaceutical, biotechnology, medical device, academic and government organizations. PPD applies innovative technologies, therapeutic expertise and a firm commitment to quality to help clients and partners bend the cost and time curve of drug development to deliver life-changing therapies that improve health. PPD's mission would be facilitated by enactment of H.R. 2481.

Last year, Representatives Pat Meehan (R-PA), George Holding (R-NC), and G.K. Butterfield (D-NC) introduced H. R. 2481, "The Domestic Research Enhancement Act of 2015." This bipartisan legislation allows clinical research organizations to receive a partial benefit of the research and development (R&D) tax credit for their qualified domestic research. In the Senate, Senators Tom Carper (D-DE) and Pat Toomey (R-PA) have included a similar proposal in S.537, "The COMPETE Act of 2015," as well as introducing it as a standalone amendment during Finance Committee consideration of the Protecting Americans from Tax Hike Act of 2015 last year.

Under current law, when a company contracts with another to conduct its R&D, the allowable expenses towards determining its R&D tax credit drops from 100 percent to 65 percent. At the same time, the contract company conducting the research is prohibited from claiming the R&D credit even though the research would otherwise be qualified. As a result, 35 percent of the R&D credit is lost even though it is conducted in the US and would otherwise be qualifying.

The Meehan/Holding/Butterfield legislation, H.R.2481, would address this antiquated limitation and allow the R&D contract research company to claim the applicable research credit for the remaining unused 35 percent of eligible, domestic R&D expenses. As under current law, the contracting business can still claim 65 percent of qualifying research spending for purposes of the credit. Their R&D tax credit would not change.

Historically, pharmaceutical, biotech and medical device companies conducted most of their research and development in-house. But in recent years a dramatic shift has occurred and the majority of this work is now contracted out to specialized contract research organizations (CROs). As a result, CROs have rapidly increased in size, more than doubling their employment in the past 10 years and contributing to the development of approximately 95 percent of all new drugs that are approved globally each year.

In recognition of the importance of having these clinical trials conducted domestically, many countries like France, Canada and the United Kingdom are offering incentives to encourage companies to locate and operate inside their borders. In fact, in these jurisdictions CROs can often claim 100 percent of the applicable R&D credit.

In order to remain competitive globally, the U.S. must continue to be an attractive location for clinical trials. Maintaining a strong portfolio of domestic clinical research for drugs, devices, treatments and processes is imperative if we want the U.S. to continue to be the world's leader in biomedical product development and related technology.

H.R. 2481 ensures that CROs can continue to invest in U.S. jobs in an ever-competitive global marketplace. PPD currently employs approximately 8,000 research professionals in the United States, including North Carolina, Texas, Wisconsin, Pennsylvania, New Jersey, California, Virginia, Maryland and Kentucky. Overall, PPD has offices in 46 countries and more than 15,000 professionals worldwide.

Through pro-growth tax policy like the Meehan/Holding/Butterfield bill, the U.S. can remain a leader in clinical research and continue to produce high-skilled and high-paying research jobs. A strong domestic clinical research industry ensures that innovative, treatments and cures will be available to patients in the U.S. first.

R&D CREDIT COALITION

SUBMISSION TO THE HOUSE TAX REFORM TASK FORCE

May 16, 2016

Introduction

The R&D Credit Coalition is a group of trade and professional associations along with small, medium and large companies that collectively represent millions of American workers engaged in U.S.-based research throughout major sectors of the U.S. economy, including aerospace, agriculture, biotechnology, chemicals, electronics, energy, information technology, manufacturing, medical technology, pharmaceuticals, software and telecommunications.

Although the R&D Credit Coalition is diverse, the member companies which the coalition represents share a major characteristic: they collectively spend billions of dollars annually on research and development, which provides high-wage and highly-skilled jobs in the United States. The high U.S. corporate income tax rate and, until recently, the temporary nature of the U.S. R&D tax credit, compared to the lower corporate income tax rates and more stable and robust research incentives in most other developed countries, are key factors that companies consider in determining where they are going to create and maintain R&D jobs.

Under current law, a taxpayer can deduct the cost of research expenses in the year incurred (Section 174 of the Internal Revenue Code (hereinafter referred to as "the Code")). In addition, the tax code provides a R&D tax credit for up to 20% of qualified research costs over a base amount (14% under an easier to calculate elective Alternative Simplified Credit ("ASC")); 20% of "basic research" payments; and 20% for amounts for energy research (Section 41 of the Code). However, if the taxpayer elected to utilize the R&D tax credit, the taxpayer's deduction is reduced by the amount of any R&D tax credit (Section 280C of the Code). For 2016 and beyond, certain small business taxpayers can claim the R&D credit against their Alternative Minimum Tax liability and qualified small businesses can use their R&D credit to offset a portion of their payroll tax liability.

The Coalition believes that the U.S. economy has benefited greatly from tax policies, such as section 174 and the R&D tax credit, that incentivize investments in innovative research activities and the Congress should continue to provide a strengthened and permanent R&D tax credit as well as continue with the current law practice of allowing R&D costs to be deducted in the year incurred.

In particular, the Coalition has strongly advocated for bipartisan legislation in both the Senate and House to make the R&D tax credit permanent and increase to 20% the ASC. The Coalition is pleased that the Congress, with the enactment of the PATH Act (P.L. 114-113), permanently extended the current law R&D credit to provide much needed certainty to taxpayers engaged in research activities. In addition, the Coalition supports legislation recently introduced by Reps. Pat Tiberi (R-OH) and John Larson (D-CT), H.R. 5187, the Research & Experimentation Advances Competitiveness at Home

(REACH) Act of 2016 to increase the ASC to 20%.

As the task force considers tax reform alternatives, the Coalition recommends adopting proposals, such as H.R. 5187, that incentivize additional research activities and rejecting proposals that would limit or hinder companies from making research investments.

The R&D tax credit is a proven incentive to maintain and create high-paying jobs and stimulate positive economic benefits. The Coalition recommends increasing the ASC rate from 14% to 20% as a means to both enhance the benefits of the credit and ease credit compliance. The calculation for the ASC is much simpler for taxpayers to comply with compared to the regular credit and using the ASC would help improve credit administration. Importantly, if Congress chose to remove the regular credit option, increasing the ASC to 20% would counter the removal of the higher rate regular credit option and enhance the incentive effect of the credit.

The Coalition is concerned about proposals that would reduce the attractiveness of investing in U.S. research projects such as previous proposals to limit the use of the R&D tax credit or require lengthy amortization of research costs. For example, former House Ways and Means Committee Chairman Dave Camp (R-MI) included in his 2014 comprehensive tax reform bill (H.R. 1) proposals to require R&D expenditures to be amortized over a 5 year period rather than allow the costs to be deducted in the year incurred and to significantly narrow the definition of "qualified research" to (1) exclude any research with respect to computer software and thus disqualify computer software from the credit and (2) remove amounts paid or incurred for supplies as qualified research expenses. And on November 21, 2013, then Senate Finance Chairman Max Baucus (D-MT) released a staff discussion draft that proposed to require taxpayers to amortize R&D expenditures over a 5 year period rather than allow the costs to be deducted in the year incurred.

Discussion

The Coalition appreciates that an objective of tax reform is to achieve a reduction in the corporate statutory rate and balance the rate reduction with offsetting reforms. Reducing the U.S. corporate tax rate from the highest in the world is a necessary reform to enhance the competitiveness of U.S. based businesses and to attract investment. In today's global economy with greater demand for investment in research activities, there is significant global competition for R&D jobs. Companies have an array of choices on where to locate such jobs and where to invest research dollars as many countries have highly educated and skilled workforces. It is clear that investments in research and innovation have positive spillover effects in the U.S. economy. Likewise, tax or other incentives to attract that investment enhance those spillover effects.

With increased global competition, it is vital to ensure that the U.S. is the best place for companies to do business and conduct research. There are many other countries that offer *both* lower corporate tax rates and more attractive R&D incentives[1]. For example, Australia provides a 40% tax credit for all eligible R&D expenditures and a corporate tax rate of 30%. If the U.S. is to retain and attract global R&D activities across all sectors of the economy, there is a growing need for the certainty provided by

[1] Deloitte, "Global Survey of R&D Tax Incentives," December 2015.

a tax code that is favorable to R&D investment. Retaining current year expensing and providing a strengthened R&D tax credit would enhance the attractiveness of the U.S. for investment and stimulate job creation to grow the economy and keep the U.S. competitive.

R&D Tax Credit as an Economic Incentive

The R&D tax credit has a significant impact on private R&D spending and the creation of valuable research jobs. According to a study by Ernst & Young (EY), "In total, the overall policy – the existing credit plus strengthening the ASC – is estimated to increase annual private research spending by $15 billion in the short-term and $33 billion in the long-term."[2] Moreover, it is important to note that the R&D tax credit is largely a *jobs* credit—70 percent of credit dollars are used to pay the salaries of high skilled R&D workers in the U.S. The EY study also stated that, "the credit and its enhancement is estimated to increase research-related employment by 140,000 in the short term and 300,000 in the long-term."[3] In addition, a study by the Center for American Progress concludes that, "the credit is effective in the sense that each dollar of foregone tax revenue causes businesses to invest at least an additional dollar in R&D.[4]"

The U.S. must maintain a globally competitive tax system that supports high-skilled, high-paying jobs. The R&D tax credit, originally enacted in 1981, was designed to be an important incentive in spurring private sector investment in innovative research by companies of all sizes and in a variety of industries. The enactment of this incentive helped establish the U.S. as a world leader in cutting-edge research that created high-paying jobs here in the U.S. During the 1980s, the U.S. was the leader among OECD countries in providing the best R&D incentives for companies. However, in recent years, many other countries have instituted more generous R&D incentives. For example, South Korea has a 40% tax credit for current year R&D spending that exceeds the 3-year average and Canada has a 15% tax credit for all eligible R&D spending. As a result, according to an OECD study in 2013, the U.S. ranked 22nd in research incentives among industrialized countries.[5]

Several OECD countries have enacted a variety of tax incentives to attract research activities, including tax credits that can be as high as 50% of research expenses, super deductions that can be as high as 300% of research expenses, as well as other incentives to encourage research spending[6]. A National Science Board report concluded that the United States' lead in science and technology is "rapidly shrinking" as R&D jobs and overall R&D spending continue to increase faster outside the U.S. than here at home. The report shows that "between 1999 and 2009…the U.S. share of global research and development (R&D) dropped from 38 percent to 31 percent, whereas it grew from 24

[2] Ernst & Young, "The R&D Credit: An effective policy for promoting research spending," September 2011, p. i.
[3] Ernst & Young, "The R&D Credit: An effective policy for promoting research spending," September 2011, p.11.
[4] Center for American Progress, "The Corporate R&D Tax Credit and U.S. Innovation and Competitiveness," by Laura Tyson and Greg Linden, January 2012, p.2.
[5] OECD, "Science, Technology and Industry Scoreboard," October 2013, p. 107.
[6] Deloitte, "Global Survey of R&D Tax Incentives," December 2015

percent to 35 percent in the Asia region during the same time."[7]

The Coalition supports a permanent R&D credit that strengthens the ASC to 20 percent to encourage more domestic innovation, job creation, economic growth, and to enhance U.S. competitiveness. Along with enhancing the credit, current eligibility for the types of research expenditures that qualify for the credit must be retained.

Computer Software. Any proposal to remove computer software from credit eligibility implies that software and computer software development is not innovative, not technological or that there is nothing new to discover. This could not be farther from the truth. Software development activities contribute billions of dollars to the U.S. economy and employ millions of highly skilled workers. Companies, universities and other organizations spend billions of dollars a year in research activities to develop new computer software and create new applications for existing software that is innovative. Software development is a critical component of numerous products and services and is critical to just about every industry segment, including medical, manufacturing, automotive, aerospace and defense, telecommunications, and others. In particular, software is a key element in advanced manufacturing and the U.S. is a leader in software development. Denying the credit to computer software risks moving existing software development jobs outside the U.S. and would disadvantage new investment in the U.S. No other country specifically denies credit eligibility for all software costs. On the contrary, some countries single out software development and other highly innovative activities as a means to incentivize additional investment in these activities.

The Coalition recommends that research expenditures related to the use and development of computer software continue to be treated as qualified research expenditures eligible for the credit.

Supplies. In addition, disallowing the credit for the cost of supplies used in the conduct of qualified research would negatively impact numerous industries that engage in research activities with most of the impact unfairly and disproportionately hitting manufacturers that conduct a significant amount of research in the U.S. Research activities require people, mainly highly skilled scientists, to conduct research, but also require testing equipment, raw materials, instruments and a variety of inputs necessary to carry out the process of experimentation. Since the original enactment of the credit, Congress has recognized that supplies can be an integral part of conducting scientific research and thus are treated as qualified research expenses. While it has been clear that supplies qualify for the credit, the lack of clear guidance on the issue has created uncertainty in complying with the credit. Recent guidance has helped to clarify the prior uncertainties regarding the treatment of supplies. Given this history, it is not appropriate to now eliminate completely the qualification of supplies as a means to simply reduce the cost of the credit. Companies must continually invest in process and product improvements to maintain competitiveness in the worldwide market, and eliminating supplies will act as a disincentive for ongoing research.

The Coalition recommends that research expenditures related to supplies continue to be treated as qualified expenditures eligible for the credit.

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[7] National Science Foundation press release, "New Report Outlines Trends in U.S. Global Competitiveness in Science and Technology," January 17, 2011.

Section 174 Deduction

In enacting section 174 "Congress was pursuing two related objectives . . . . One was to encourage firms to invest more in R&D than they otherwise would. The second objective was to eliminate or lessen the difficulties, delays, and uncertainties encountered by businesses seeking to write off their research expenditures . . . ."[8] Expensing R&D costs reflects the tax and accounting realities inherent in bringing a new product to market. With R&D, amounts are expended to create an asset with a future benefit. In most other instances this would result in the capitalization and recovery through amortization of such costs. The inherent issue with expenses incurred in research and development is whether an asset of any value is being (or will be) created. At the time the amounts are expended, such a determination is often impossible. Further, research and development costs usually are incurred with the goal of creating a new or improved product, service, process or technique, but more often than not, the efforts do not result in success. As such, U.S. Generally Accepted Accounting Principles ("GAAP") do not require the capitalization and amortization of R&D costs on company financial statements.

Proposals to limit the ability of companies to deduct the costs of U.S. based research activities for tax purposes will act as a disincentive to research investment, particularly for small firms with limited cash flow, some of which may not benefit from the credit and further risks the movement of investments and jobs abroad.

The Coalition believes that, given the inherent uncertainly around experimental research, these costs should continue to be allowed to be immediately expensed as under current law.

Conclusion

R&D incentives, such as the tax credit and the expensing of research costs, are designed to ensure that companies from varied industries, including manufacturers and services businesses, conduct their research activities in the United States and create highly paid, highly skilled jobs. The original purpose of the tax credit still holds true today. It is vitally important that U.S. policy makers support proposals that enhance the attractiveness of the U.S. as a place to invest in research activities. A strengthened research and development tax credit that is enacted as soon as possible and the continued ability to deduct research expenses are critical to competitiveness, innovation and U.S. jobs. In the global economy many companies have a choice as to where they are going to do their research—and with many other countries offering *both* lower corporate income tax rates and more robust R&D incentives, the U.S. tax system must provide globally competitive R&D incentives that can be counted on by businesses. Broad and sweeping changes to the tax credit that leave out innovative research activities and diminish the value of credit reduce its effectiveness. The R&D Credit Coalition looks forward to assisting Congress in gaining a more detailed understanding of the competitive pressures faced by companies as well as of the research and development tax credit and its impact on U.S. jobs. We also look forward to working together to advance legislation to enhance the U.S. position as an attractive location for investment and a leader in research and innovation.

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[8]Senate Budget Committee, *Tax Expenditures, Compendium of Background Material on Individual Provisions,* 2012, p. 90 (The Compendium).

Links to Studies:

Center for American Progress, "The Corporate R&D Tax Credit and U.S. Innovation and Competitiveness"
http://www.americanprogress.org/issues/2012/01/corporate_r_and_d.html

Ernst & Young, "The R&D Credit: An effective policy for promoting research spending"
http://www.investinamericasfuture.org/PDFs/EY_R&D_Credit_Report_2011_09_16.pdf

Deloitte, "Global Survey of R&D Tax Incentives,"
http://www2.deloitte.com/content/dam/Deloitte/us/Documents/Tax/us-tax-2015-global-survey-of-rd-tax-incentives-102015.pdf

National Science Foundation press release, "New Report Outlines Trends in U.S. Global Competitiveness in Science and Technology"
http://www.nsf.gov/nsb/news/news_summ.jsp?cntn_id=122859&org=NSB&from=news

OECD, Ministerial Report on the OECD Innovation Strategy, May 2010
http://www.oecd.org/dataoecd/51/28/45326349.pdf

OECD, "Science, Technology and Industry Scoreboard," October 2013
http://www.oecd.org/sti/scoreboard.htm

U.S. Department of the Treasury, "*Investing in U.S. Competitiveness: The benefits of Enhancing the Research and Experimentation (R&E) Tax Credit"*http://www.investinamericasfuture.org/PDFs/TreasuryRDReportMarch25.PDF

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5TH DISTRICT, LOUISIANA

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SUBCOMMITTEE ON DISABILITY ASSISTANCE
AND MEMORIAL AFFAIRS
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May 26, 2016

The Honorable Charles Boustany, Jr., M.D.
Chairman
Subcommittee on Tax Policy
House Committee on Ways and Means
1102 Longworth House Office Building
Washington, DC 20515

The Honorable Richard Neal
Ranking Member
Subcommittee on Tax Policy
House Committee on Ways and Means
1139 Longworth House Office Building
Washington, DC 20515

Dear Chairman Boustany and Ranking Member Neal:

On May 12, 2016, your Subcommittee held a hearing entitled “Member Proposals for Tax Legislation.” I would like to submit for the record a statement in support of H.R. 3846, The Historic Tax Credit Improvement Act.

The state of Louisiana has seen a number of projects over the years that have benefited from use of federal historic tax credits. Statewide, there have been over 570 projects since FY 2002. Combined, these projects had approximately $1.7 billion in qualified rehabilitation expenses, making them eligible for just over $400 million in federal historic tax credits that then helped spur more than $2 billion in development activity and generated nearly 20,000 permanent jobs across Louisiana.

The Historic Tax Credit Improvement Act (H.R.3846) makes long overdue changes to the Historic Tax Credit (IRC § 47) to further encourage building reuse and redevelopment in small, midsize, and rural communities. It also makes the rehabilitation of community projects like theaters, libraries, and schools easier while maximizing the impact of state historic tax credits. Finally, the bill would make more historic properties eligible to use the credit by updating program requirements to reflect current industry practices. These reforms would be the first major changes to the Historic Tax Credit (HTC) since the Tax Reform Act of 1986.

Specifically, the Historic Tax Credit Improvement Act would modify the program to create a 30% credit for smaller rehabilitation projects allowing rural and non-urban areas to utilize the program to a similar extent as our larger cities and urban areas. The improved legislation would also allow the transfer of credits for smaller rehabilitation projects that would enable owners of income-producing historic properties to rehabilitate their buildings while attracting new investment into our older communities.

For more than three decades, the HTC has been a proven economic driver, helping to revitalize communities of all sizes and quickly becoming one of the most successful community development incentives available. Since its inception, the HTC has rehabilitated more than 41,250 buildings, created 2.3 million jobs, and leveraged $117.6 billion in private investment nationwide.

The HTC also provides a strong return on investment for the federal government. On average, the credit leverages $5 dollars of private investment for every $1 dollar in federal funding creating highly effective public-private partnerships. The cumulative $23.1 billion cost of this program has been more than offset by the $28.1 billion in federal tax receipts generated solely by these rehabilitation projects.

In addition, the HTC has revitalized the historic cores of cities and towns across America, enhancing property values, encouraging additional reinvestment by adjacent owners and augmenting tax revenue for federal, state and local governments.

When the HTC was examined by Congress in the lead up to the 1986 Tax Reform bill, legislators concluded that this incentive to rehabilitate historic structures remained justified. The report accompanying the bill reasoned that without the HTC market forces would drive investment away from more expensive rehabilitation and urban cores and toward more predictable new construction in the suburbs.

This justification is as valid today as it was then. Developers, both large and small, report that historic rehabilitation projects would not occur without the HTC. Even in situations where developers benefit from lower tax rates, the less profitable option of historic preservation will not be favored over building on previously undeveloped commercial sites. Absent the HTC, which fills a critical financing gap, there will be a halt to the rehabilitation of historic commercial properties in the United States.

Despite this demonstrated need and the program's unequivocal success, improvements could be made that would increase access to the credit for our older and more rural communities. Fortunately, Congressman Mike Kelly has proposed a piece of legislation that can help bridge that access gap: the Historic Tax Credit Improvement Act.

I know what the credit is capable of because I've seen what it has done in my own district. If the Historic Tax Credit Improvement Act were enacted, communities across the country could benefit from this invaluable program. I urge my colleagues to support this legislation and become cosponsors of the Historic Tax Credit Improvement Act – a bill that will revitalize communities, put constituents to work and preserve our nation's valuable history.

I look forward to working with you and my colleagues in the House to improve this credit and I thank you for giving Members this opportunity to weigh in on important tax legislation.

Sincerely,

Ralph Abraham, M.D.
Member of Congress

WAYS AND MEANS TAX POLICY SUBCOMMITTEE HEARING—STATEMENT OF REP. ROB BISHOP (UT-1)

H.R. 4296 Youth Exchange Support (YES) Act

I come before the committee today in support of my bill, H.R.4296, the Youth Exchange Support Act, which would increase the tax cut provided to American families who host a high school exchange student from abroad. This small deduction is critical to recruiting and retaining families who provide a quintessential American experience for high school students from around the world. I further believe that this investment is vastly offset by the benefit international high school students bring to the U.S. economy.

During the 2014-15 school year, international high school exchange students contributed at least $150 million dollars to the U.S. economy, according to data collected by the Alliance for International Exchange. Students pay program fees to U.S. companies who help place them with American host families and support them throughout their school year. Students also spend significant funds in towns and cities across the country, helping to boost local economies. Further, if we take into account the airfares that these students pay, many to U.S. carriers, this would add another $3.5 million to their contribution to the U.S. economy.

It is also worth looking at the history of high school exchange programs, and taking a moment to underscore the important role they play in promoting U.S. national security and public diplomacy. President Ronald Reagan launched his Youth Exchange Initiative in 1983 to build the international understanding he believed would benefit U.S. national security. In a speech at the White House, Reagan said: “We need a second language, a language of understanding…young people from other countries, if they have a chance to visit us and live among us, will come to understand the American experience.”

High school exchange programs continue to be an important foreign policy tool. The age of the exchange participants provides a unique opportunity to build positive, lifelong relationships with future leaders from around the world. More than 25,000 international students on J-1 non-immigrant exchange visas studied at U.S. high schools and lived with American host families in 2014-15.

I have served as a host parent to international exchange students myself and have seen first-hand, in my own home, the profound impact this study abroad experience can have on young international students. Of international high school students surveyed, 97% said their year in the U.S. gave them deep, nuanced, and more favorable views of the American people and American culture. 61% of those same students reported a determination to change their own countries for the better. Utah alone hosted 386 international high school students in 2013-14. This is the kind of exceptional impact and a great return on investment for our nation that my bill would promote.

Despite the obvious value of high school exchanges, finding host families presents one of the program’s largest challenges. American families volunteering to host J-1 international high school students do not receive any compensation. They host because they believe in the program and the great benefits it brings not only to the exchange students themselves, but the American host families, host schools, and host communities as well. However, American host families can claim a flat $50 tax deduction for each month they host an exchange student. This deduction (provided for in IRS publication 526) was established in the 1960s and has never been modified to keep pace with the rising costs of hosting a student, including food, housing, transportation, recreation, and more.

My bill H.R. 4296 increases the allowable tax deduction a host family can claim to $400 per month and indexes it to inflation. The new $400 amount is equivalent to $50 in 1960 dollars, simply adjusted for inflation. A recent survey of U.S. host families showed that this increased tax deduction will attract more families to become hosts in the first place or continue hosting, expanding the reach and impact of youth exchange programs on U.S. foreign policy while simultaneously benefitting the U.S. economy.

In summary, the rationale for this legislation is strong. First, it will help our economy. High school students are social and like to spend money in all 50 states – conservatively estimated at $150 million annually. Second, there is a strong foreign policy and national security rationale given the attitude shifts that these students experience when they come to live in our great nation. And third, this is an important way to honor the great spirit of American volunteerism and the fact that American host families are taking on this patriotic duty without any compensation. H.R. 4296 supports these families while helping to build a safer, stronger and more prosperous America.

I close with another quote from President Reagan, the father of international high school exchange, and urge the committee to support H.R. 4296:

> "There is a flickering spark in us all which, if struck at just the right age...can light the rest of our lives, elevating our ideals, deepening our tolerance, and sharpening our appetite for knowledge about the rest of the world. Educational and cultural exchanges, especially among our young, provide a perfect opportunity for this precious spark to grow, making us more sensitive and wiser international citizens through our careers."
>
> – President Ronald Reagan, remarks at White House on May 24, 1982.

Statement for the Record

Charles W. Boustany Jr., M.D.

Ways & Means Member Day Hearing - Tax Legislation

May 12, 2016

……………………………………………………

As the lead Republican sponsor of H.R. 4832, the Health Savings Protection Act, I would like to submit the following statement in the Congressional Record for the Member Day Hearing on Tax Legislation, May 12, 2016.

The Affordable Care Act created a new excise tax on certain high-cost health care plans provided by employers, commonly referred to as the Cadillac Tax. While the purported purpose of this tax was to discourage employers from offering health insurance plans with overly robust health benefit coverage, we now know that the tax will impact many employer-sponsored health plans in a manner that simply incents the employer to reduce the range of health benefits covered by the employer-sponsored plan.

Even more concerning than the behavioral consequences the Cadillac Tax will have on employer-sponsored health coverage, the Internal Revenue Service has interpreted the intent of this provision to also include the dollar value of employee contributions to Health Savings Accounts (HSA) and Flexible Spending Arrangements (FSA). Ultimately, this means an employees' hard-earned money that he or she chooses to set aside as "savings" for their own future health spending needs, is treated as an employer contribution to the overall value of the health plan, subject to the Cadillac Tax. This is beyond troubling given that we should be encouraging Americans to save for their own future health needs. For all these reasons, I am proud to have joined with my colleague, Dr. Ami Bera, to introduce the bipartisan Health Savings Protection Act (H.R. 4832).

HSAs and FSAs are two savings vehicles that provide a means for employees to contribute their own dollars on a tax-preferred basis, specifically set aside to cover any future qualified health expenses they incur. While recent studies show nearly 103.5 million Americans benefit from consumer-directed health savings accounts like these, this figure is actively being accelerated as employers increasingly move toward offering high-deductible health plans to their employees. High-deductible health plans are less costly to the employers as a result of shifting more of the out-of-pocket cost burden to the employee themselves, making the ability of the employee to contribute their own money on a pre-tax basis to health-specific savings accounts even more critical to ensuring Americans are prepared for their own health costs incurred.

In addition to the general benefit to employees of saving for their own health expenses, the mechanics of these accounts also has organic benefits. More specifically, the ability for certain health-related savings accounts to accumulate contributions over time, as well as the feature of automatic deduction and deposit of these contributions from employee paychecks directly into the health-related savings account, ensures a reliable budgeting tool that is particularly beneficial to lower-income employees.

In light of the inclusion of HSA and FSA employee contributions in the calculation of the Cadillac Tax, research out of the American Health Policy Institute has shown that employers are substantially less likely to even offer the additional benefit of an HSA or FSA account to their employees as an option, as elimination of this benefit is the easiest way to avoid triggering the Cadillac Tax penalty.

There has never been a worse time to disincentivized use of health-related savings accounts for Americans and their families. In fact, a recent survey from the Employers Council on Flexible Compensation (ECFC) found the median household income for an FSA participant is $57,080 and for an HSA participant is $57,660. For all these reasons, Dr. Bera and I have introduced the Health Savings Protection Act (H.R. 4832) to exempt employee pre-tax contributions from calculation of the Cadillac Tax. If enacted, this legislation would ensure there are no adverse consequences to employers choosing to offer these critical savings vehicles that allow employees to afford the increasing out-of-pocket health expenses they are presently faced with.

I want to thank my colleague, Dr. Ami Bera, for joining me in introducing this vital legislation that will ensure Americans and their families have an avenue to save pre-tax dollars for their future health care expense needs.

I submit this statement for the record of a hearing entitled, "Member Proposals for tax legislation" on May 12, 2016. I would like to enter into the record my support of H.R. 3846, The Historic Tax Credit Improvement Act.

In Louisiana's 3rd district, there have been 9 projects that have used federal historic tax credits since FY 2002. These projects had approximately $6 million in qualified rehabilitation expenses, making them eligible for just over $1 million in federal historic tax credits that then helped spur more than $7.2 million in development activity in the 3nd district of Louisiana, alone. These 9 projects generated nearly $1.5 million in tax receipts, more than covering the cost of the issued tax credits. This is just a snapshot of the impact historic tax credits have had throughout the United States.

The Historic Tax Credit Improvement Act (H.R.3846) makes long overdue changes to the Historic Tax Credit (IRC § 47), further encouraging the re-use and re-development of building structures in small, midsize, and rural communities. Furthermore, this legislative change eases the rehabilitation of community projects like theaters, libraries, and schools, while also amplifying the impact of state-based historic tax credits. Finally, this legislation updates program requirements to reflect current industry practices, thereby expanding eligibility for this tax credit to more historic properties.

More specifically, the Historic Tax Credit Improvement Act would modify the program to create a 30% credit for smaller rehabilitation projects allowing rural and non-urban areas to utilize the program to a similar extent as our larger cities and urban areas. The legislation would also allow the transfer of credits for smaller rehabilitation projects that would enable owners of income-producing historic properties to rehabilitation their buildings while attracting new investment into our older communities.

For more than three decades, the HTC has been a proven economic driver, helping to revitalize communities of all sizes and quickly becoming one of the most successful community development incentives available. Since its inception, the HTC has rehabilitated more than 41,250 buildings, created 2.3 million jobs, and leveraged $117.6 billion in private investment nationwide.

The HTC also provides a strong return on investment for the federal government. On average, the credit leverages $5 dollars of private investment for every $1 dollar in federal funding creating highly effective public-private partnerships. The cumulative $23.1 billion cost of this program has been more than offset by the $28.1 billion in federal tax receipts generated solely by these rehabilitation projects.

In addition, the HTC has revitalized the historic cores of cities and towns across America, enhancing property values, encouraging additional reinvestment by adjacent owners and augmenting tax revenue for federal, state and local governments.

When the HTC was examined by Congress in the lead up to the 1986 Tax Reform bill, legislators concluded that this incentive to rehabilitate historic structures remained justified. The report accompanying the bill reasoned that without the HTC market forces would drive investment away from more expensive rehabilitation and urban cores and toward more predictable new construction in the suburbs.

This justification is as valid today as it was then. Developers, both large and small, report that historic rehabilitation projects would not occur without the HTC. Even in situations where developers benefit from lower tax rates, the less profitable option of historic preservation will not be favored over building on previously undeveloped commercial sites. Absent the HTC, which fills a critical financing gap, there will be a halt to the rehabilitation of historic commercial properties in the United States.

Despite this demonstrated need and the program's unequivocal success, however, improvements could be made that would increase access to the credit for our older and more rural communities. Fortunately, Congressman Mike Kelly has proposed a piece of legislation that can help bridge that access gap: the Historic Tax Credit Improvement Act.

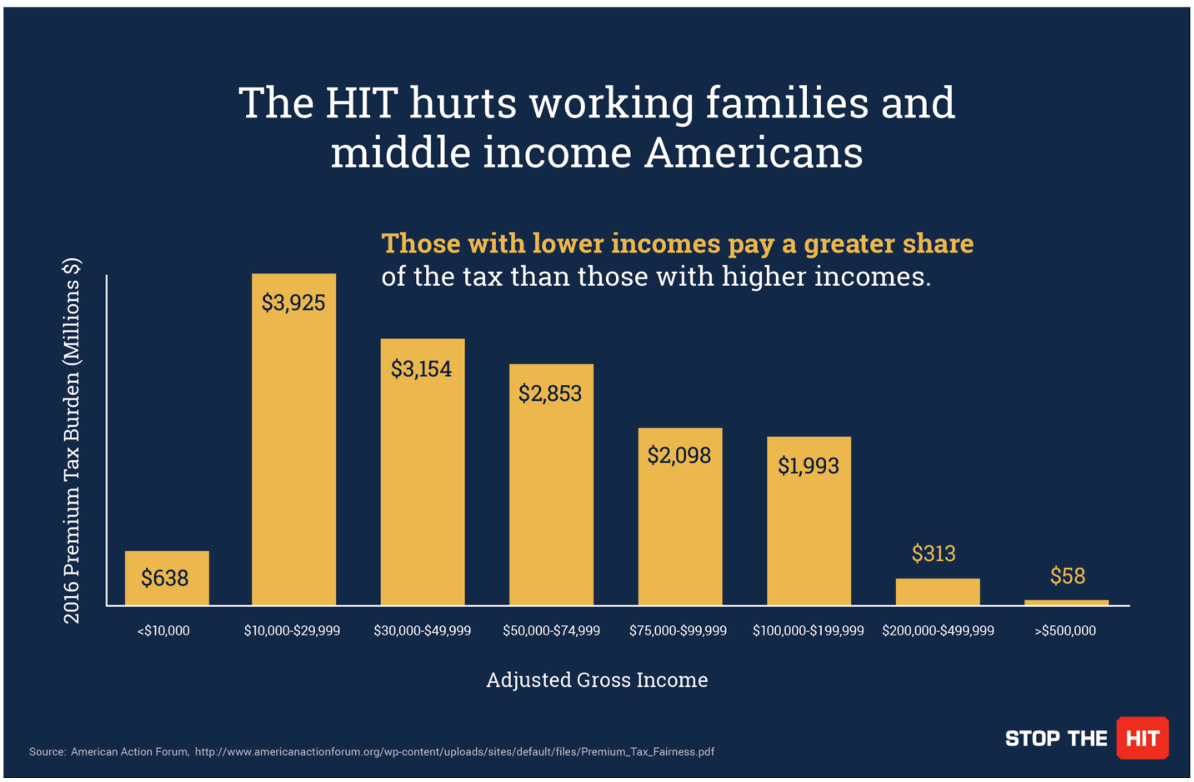
I know what the credit is capable of because I've seen what it has done in my own district, and across the state of Louisiana. If the Historic Tax Credit Improvement Act were enacted, communities across the country could benefit from this invaluable program. I urge my colleagues to support this legislation and become cosponsors of the Historic Tax Credit Improvement Act – a bill that will revitalize communities, put constituents to work and preserve our nation's valuable history.

I look forward to working with my colleagues to improve this valuable credit.

Statement for the Record
Charles W. Boustany Jr., M.D.
Ways & Means
Member Day Hearing on Tax Legislation
May 12, 2016

We can help small businesses with the rising cost of coverage by repealing the health insurance tax (HIT). This tax was included in the Affordable Care Act (ACA), and is directly resulting in the increased price of health insurance coverage for employers and workers.

Small businesses from across the country have been calling on Congress to provide permanent relief from the HIT, and have even gone so far as to create a Stop the HIT coalition to further these critical efforts. The coalition recently released data showing how lower- and middle-income workers are paying a greater share of this tax:



Congress provided temporary relief from this tax in 2017, and small businesses took notice. The National Federation of Independent Businesses applauded this relief saying: "A suspension of the HIT is a step in the right direction for small businesses and employees who bear the brunt of paying this tax on their healthcare benefits."

Unfortunately, however, this temporary relief is just that, temporary. As a result of the dire consequences the HIT will have on further increasing the already-skyrocketing cost of health insurance coverage to Americans, I am proud to have introduced H.R. 928 to fully and permanently repeal the ACA-imposed HIT. As of today's hearing, H.R. 928 has 235 bipartisan House cosponsors in support of fully repealing this onerous tax on the health insurance coverage American families need. Furthermore, the HIT stands as a direct contradiction to the purported goal of the ACA in providing affordable health insurance coverage options for Americans and their families.

Our job creators and working Americans deserve permanent relief from this unnecessary tax, and for these reasons I stand with my 235 bipartisan House colleagues in urging swift consideration and passage of this legislation.

Statement for the Record

Charles W. Boustany Jr., M.D.

Ways & Means

Member Day Hearing on Tax Legislation

May 12, 2016

As the lead Republican sponsor of H.R. 1218, the Personal Health Investment Today Act (PHIT Act), I would like to submit the following statement in the Congressional Record for the Member Day Hearing on Tax Legislation, May 12, 2016.

H.R. 1218 expands the IRS definition of qualified medical expenses to include physical activity as a form of prevention. This additional inclusion places individuals back in control of their own personal health, and allows them to choose how to spend their own hard-earned dollars as it relates to maintaining a healthy lifestyle. The ability to direct such funds would extend to pre-tax medical accounts to help reduce the incidence of chronic, preventable diseases.

I am proud to have introduced this bill alongside Congressman Ron Kind (D-WI), the leading Democratic sponsor of this initiative. Together, we have been working collaboratively on the proposal while finding ways to bring attention to its merits and the benefits to today's working families, adults and seniors.

Each year, our country spends billions of dollars on treating the health consequences that result from chronic medical conditions, many of which could be mitigated through physical activity. It is time for Congress to pass meaningful legislation that provides tools to encourage preventive healthcare and reverse the critical strain on our nation's healthcare delivery system. The PHIT Act is a bi-partisan solution that has, thus far, garnered the support of 77 House co-sponsors, including eight members of the Ways and Means Committee.

Research has consistently indicated substantial, positive health benefits are disproportionately attributed to individuals in a more physically active population. Likewise, better health status also results in positive economic benefits to both individuals, as well as our health system at large.

More specifically, a recent Cooper Institute study that utilized Medicare claims data found individuals who are physically fit at the mid-life point showed a 40 percent reduction in subsequent annual healthcare costs, as compared with those of their peers who were less physically active. These findings could mean an average annual cost savings of $5,242 for men and $3,694 for women. Moreover, the Robert Wood Johnson Foundation issued a study finding that children who remain inactive are more likely to be inactive adults, whom are then six times more likely to have inactive children. The statics are staggering and, with the help of the PHIT Act, we can reverse the cycle.

Thank you for the inclusion of my statement and considering H.R. 1218 as part of the May 12 Hearing Record. I look forward to working with my colleagues on this and many other meaningful legislative proposals to expand consumer choice and keep Americans healthy.

THE DAILY **SIGNAL**

A Complex Tax System Prevents Americans From Saving

Rep. Dave Brat / Sen. Jeff Flake / April 19, 2016

Another tax day has come and passed only to once again remind us of the increasing financial burden that government places on individuals and families each year. Unfortunately, as taxes and onerous regulation continue to increase, the U.S. personal savings rate has decreased to 5.5 percent. Our savings rate was two to three times higher than that in the 1970s and 1980s, with a peak of 17 percent in 1975.

Today, many lack the recommended savings level of three to six months of income. In fact, according to a recent Federal Reserve survey, only 53 percent of adults would be able to cover an emergency expense of $400 without selling an asset or borrowing.

Part of the problem is the tax code being too complex, making it difficult for people to understand their options to invest and save for the future. A more streamlined and flexible saving account to enable and encourage savings is needed. To that end, we have introduced the Universal Savings Account Act, legislation that will empower all individuals to set aside money for all of life's challenges and opportunities.

Similar to Roth Individual Retirement Accounts, the Universal Savings Accounts established in our bill are designed to offer tax-free earnings and distributions without the restrictions, confusion, and penalties associated with other tax-advantaged accounts. With these accounts, any American adult could save and invest up to $5,500 per year of post-tax income without being burdened by additional taxes when those investments grow.

While existing savings options are complicated and limited in their practicality, Universal Savings Accounts will be simple, flexible, and easy to use. While we anticipate that Universal Savings Accounts could be a boon to those looking to supplement retirement or college tuition savings, these tax-free accounts could just as easily be used to help save for the medical expenses, the purchase of car or home, or other costs incurred in everyday life.

Universal Savings Accounts would have the added benefit of reducing double taxation and expanding national savings. With a growth rate of only 0.7 percent in the 4th quarter of 2015, it's imperative Congress advance tools such as Universal Savings Accounts that incentivize both savings and investment.

Tax day should really be a reminder that there's no better way to empower our cash-strapped middle class than to allow Americans to keep and save more of their hard-earned wages. Making Universal Savings Accounts a reality is a great way to jumpstart that effort.

The Honorable Dave Brat

November 2015

H.R. 4094, THE UNIVERSAL SAVINGS ACCOUNT ACT

SUMMARY

Introduced with Senator Jeff Flake, the Universal Savings Account Act would empower Americans to save for all of life's challenges and opportunities. USA Accounts offer tax-free earnings and distributions without the restrictions, confusion, and penalties associated with other tax-advantaged savings accounts.

BASICS OF THE USA ACCOUNTS

- Allow American adults (citizens and legal permanent residents) to open a tax-free savings account, contribute up to $5,500 after-tax each year, and use withdrawals for any reason at any time.
- Funds can be invested in bonds and equities, and those earnings grow tax free.
- Withdrawals are tax-free and can be recontributed.
- Contributions are not tax deductible.

USA ACCOUNTS

- Reduce Double Taxation: The tax code taxes income saved and invested numerous times, which discourages saving. USA accounts remove this bias.
- Empower Individuals: Congress has limited tax-favored savings to specific uses. USA Accounts let individuals decide what to spend their savings on and when to do so.
- Spur Economic Growth: Each dollar saved can be invested in education, training, machines, equipment, and more, increasing productivity and living standards.
- Successful Abroad: Canada's Tax-Free Savings Account (TFSA) was introduced in 2009 and has achieved significant popularity; 48% of Canadians have a TFSA– just six years after being enacted.[1] Similar accounts in the United Kingdom have been adopted rapidly too.

BACKGROUND

It isn't easy for many working American to save and achieve economic prosperity and independence. Only 53% of adults could cover an emergency expense of $400 without selling an asset or borrowing.[2] Most Americans lack the recommended savings level of three to six months of income.[3] These issues are compounded by stagnant wages and a weak job market. Individuals need a more streamlined and flexible saving account option that will truly encourage savings.

ENDORSEMENTS: National Taxpayers Union

COSPONSORS: Paul Gosar, Trent Franks, Morgan Griffith, Matt Salmon, Daniel Webster, Curt Clawson

FOR MORE INFORMATION

Please contact Kurt Couchman at kurt.couchman@mail.house.gov or x5-2815 to learn more or to cosponsor H.R. 4094.

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[1] http://newsroom.bmo.com/press-releases/bmo-annual-tfsa-report-tfsa-adoption-among-canadi-tsx-bmo-201312190918655001

[2] http://www.federalreserve.gov/newsevents/press/other/20150527a.htm

[3] http://www.pewtrusts.org/~/media/assets/2015/01/fsm_balance_sheet_report.pdf

Tax Policy Subcommittee of the Committee on Ways and Means of the U.S. House of Representatives
May 12, 2016
Testimony of Dr. Dave Brat (VA-07)
On H.R. 4094, the Universal Savings Account Act

Thank you, Mr. Chairman.

Encouraging personal savings is more important than ever.

We need to make it easier for the American people to work, save, invest, and live the lives they want.

That’s why Senator Jeff Flake and I introduced the Universal Savings Account Act.

Universal Savings Accounts would be like Roth IRAs—but far more flexible.

American adults could contribute post-tax income up to $5,500 per year.

Savings could be invested like IRAs, and earnings would grow tax-free.

Withdrawals wouldn’t be taxed at all.

Anyone who doesn’t contribute the full amount in a year—or who makes withdrawals—could backfill it later.

These accounts would let them save for any of life’s challenges and opportunities with the knowledge that their resources will be there when they need them.

They could supplement retirement savings, of course, but they could also be used for a car, college, a down-payment on a house, and much more.

Other options already exist, but they have complicated rules and restrictions.
Many Americans won't risk putting their hard-earned income into restricted accounts that penalize general withdrawals.

Universal Savings Accounts are simple and easy to use.

Canada and Great Britain have had something similar for years.

Canada's were established in 2009, and only six years later 48% of Canadians had one, including many middle-income families.

They would create opportunity by reducing double taxation and expanding national savings.

The U.S. personal savings rate is only 5.5%, much lower than it was in the 1970s or 1980s.

In Macroeconomics 101 students learn that savings equals investment, and per capita growth requires investment.

With a growth rate of only 0.7% in the 4th quarter of 2015, we need to boost both savings and investment.

These accounts could also help reform federal and state programs.

With minor changes, they could be used for education savings accounts, Roth health savings accounts, cash-based income-support programs, and more.

Our proposal has been endorsed by Americans for Tax Reform, the National Taxpayers Union, and the Association of Mature American Citizens.

My Virginia constituents like it regardless of their political leanings.

I hope we can all work together on ideas like this to help our constituents face life's many challenges and opportunities.

I ask unanimous consent to insert supplementary materials about the bill into the record.

Briefly, I'd like to recommend the American Business Competitiveness Act, introduced by Chairman Devin Nunes, which I am proud to cosponsor.

It makes our corporate tax rate more globally competitive, replaces complicated depreciation with simple and pro-growth expensing, and adopts the advanced economy norm of territorial taxation.

These and other reforms in the bill would significantly increase opportunities and living standards for my constituents and yours.

Thank you, Mr. Chairman. I yield back.

Mr. Chairman, thank you for the opportunity to speak on behalf of H.R. 4220, the Water and Agriculture Tax Reform Act.

Throughout rural America, residents cite the rising cost of water as one of their greatest challenges.

I see it happening in Colorado.

When farmers can't afford water, their crops lie withering in the fields.

And the entire community suffers—from the farmer and his family to the towns and cities that rely on the agricultural industry for food and jobs.

The WATER Act empowers rural America. It keeps water affordable while allowing farmers to have a stake in the resources they use every day.

The Act specifically reforms the IRS rules applying to mutual irrigation, reservoir, and water companies. These entities are member-owned farmer cooperatives. They maintain water storage and delivery systems in much of rural America.

The cooperatives can qualify as tax-exempt entities provided that 85% of their income comes from their member shareholders. These members include farmers, ranchers, and rural water users who purchase water from the cooperative.

It has become increasingly difficult for mutual irrigation, reservoir and water associations to stay in business because of costly water infrastructure maintenance. Under current law, if one of these cooperatives receives more than 15% of its income from non-member sources, such as recreational leases or crossing fees, it will lose its tax-exempt status. This forces rural water users to bear the burden of operations and maintenance costs in the form of higher water assessments, just to maintain their tax-exemption.

When assessments skyrocket, the shareholders can no longer afford the cost of water. This harms rural towns and drives farmers and ranchers out of business. To keep assessments from becoming too high, these mutual companies may be forced to postpone maintenance that is needed for safety and maintaining the efficiency of the water systems.

If these mutual companies could generate income without losing tax-exempt status, member assessments could be reduced. This would keep farmers and ranchers in business, while reducing the burdens on rural water users.

This common-sense legislation excludes certain revenue streams from the 85% member income test. By requiring the proceeds from the extra revenue to be used exclusively for the operations and maintenance of the mutual companies, we can ensure that these funds are reinvested in rural water infrastructure. This will support local economies, promote more efficient use of water, and help agriculture workers across the country.

This bill does not rely on government spending. It relies on the free market to generate additional economic activity and allow revenue from that activity to be used to address long-standing maintenance needs of water systems.

This bill also addresses inconsistencies in how the IRS treats member voting eligibility for these cooperatives, ensuring mutual associations that have operated in compliance with state laws for over 100 years will not be suddenly penalized by the IRS.

The legislation is supported by the American Farm Bureau Federation, the Family Farm Alliance, and rural water associations in many states. I urge the committee to empower rural America by moving the Water and Agriculture Tax Reform Act forward.

Another tax priority that is important to me is HR2903, the Craft Beverage Modernization and Tax Reform Act. This bill modernizes excise tax rates for brewers and importers. Colorado is home to hundreds of brewers, from local microbreweries to major Colorado employers like MillerCoors and Anheuser-Busch. This bill has brought together brewers of all sizes and the tax relief afforded under the bill will provide the capital necessary for these businesses to grow.

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Congress of the United States
House of Representatives
Washington, DC 20515–3817

MATT CARTWRIGHT
17th District, Pennsylvania

COMMITTEE ON OVERSIGHT AND GOVERNMENT REFORM
Subcommittees:
Health Care, Benefits, and Administrative Rules
Ranking Member
Interior

COMMITTEE ON NATURAL RESOURCES
Subcommittees:
Energy and Mineral Resources
Federal Lands

DEMOCRATIC REGIONAL WHIP

May 25, 2016

The Honorable Kevin Brady
Chairman
Committee on Ways and Means
U.S. House of Representatives
Washington, DC 20515

The Honorable Sander Levin
Ranking Member
Committee on Ways and Means
U.S. House of Representatives
Washington, DC 20515

Dear Chairman Brady and Ranking Member Levin,

I write to support H.R. 4626, the Building Rail Access for Customers and the Economy Act—known as the BRACE Act. In my district, railroads like the Delaware-Lackawanna Railroad, Lehigh Valley Rail Management, and the Reading & Blue Mountain & Northern Railroad serve businesses large and small. Section 45G and H.R. 4626 improve the ability of local, small business railroads to maintain critical transportation services. H.R. 4626 will permanently extend the Section 45G short line track maintenance tax credit that expires at the end of 2016.

By maximizing private infrastructure investment, Section 45G allows small business railroads to keep their customers competitive in a global economy. Without these railroads, these industries would be forced to move their product less efficiently, more expensively, and at higher public cost using highways. This credit is capped, and is far simpler and fairer than federal infrastructure programs. For these reasons I support Section 45G and encourage others to do so as well.

Sincerely,

Matthew A. Cartwright

Matt Cartwright
Member of Congress

Written Testimony of David N. Cicilline
Committee on Ways and Means Subcommittee on Tax Policy
Perspectives on the Need for Tax Reform

Thank you to the Ways and Means Committee for giving Members the opportunity to weigh in on the need for comprehensive tax reform in the 114th Congress and to submit this statement for the record.

I sincerely believe that America's tax system is in need of a comprehensive overhaul that would simplify our tax code, ensure that all taxpayers pay their fair share, and end loopholes that encourage businesses to ship jobs overseas. Our tax system is, simply put, unfairly rigged to favor the wealthy at the expense of working class families.

I believe it is necessary to overhaul our individual tax code to ensure greater simplicity, transparency, and fairness so that wealthy Americans are fairly sharing the burden with middle class families. As such, I have introduced H.R. 362, the Paying a Fair Share Act, which would put in place the so-called "Buffet rule," ensuring that the wealthiest Americans are paying a 30% effective tax rate, which would apply only to Americans earning $1 million or more per year. This legislation has the support of 21 cosponsors and been referred to the Committee on Ways and Means. I encourage the Committee to hold hearings on this matter and to give H.R. 362 fair consideration before the Committee.

Moreover, I believe it is vitally important to ensure that corporations pay their fair share of taxes and are not able to use loopholes that incentivize the shipping of American jobs overseas. I am the lead sponsor of H.R. 305, the Offshoring Prevention Act, which would eliminate the deferral of U.S. taxes for companies that move their manufacturing facilities overseas. This legislation has earned the support of four cosponsors and has been referred to the Committee on Ways and Means. Additionally, I am a cosponsor of H.R. 297, the Stop Tax Haven Abuse Act, which would apply an exit tax on corporations that attempt to dodge taxes by moving their corporate address to a country deemed a tax haven. I also strongly support H.R. 415, the Stop Corporate Inversions Act, which closes a loophole used by companies to lower U.S. taxes. Current law prohibits an inversion – for tax purposes – if the shareholders of the foreign company own 20 percent or less of the new combined corporation. This legislation would increase that threshold to 50 percent. These important pieces of legislation would ensure that large corporations cannot game the U.S. tax system in order to avoid paying their fair share of taxes while still benefitting from U.S. financial markets, stability, and workforce.

Each of these bills would make important changes to our tax code to incentivize companies to keep jobs at home, and to ensure American companies, which benefit from one of the healthiest economies and workforces in the world, are not playing games to keep from paying taxes. I encourage the Committee to take up legislation that

In addition to corporate tax reform we must ensure that we smartly tailor tax credits to benefit those who need them, encourage charitable giving, and reinvestment in our communities.

That is why I am a strong supporter of H.R. 3846, The Historic Tax Credit Improvement Act. The Historic Tax Credit Improvement Act makes long overdue changes to the Historic Tax Credit (IRC § 47) to further encourage building reuse and redevelopment in small, midsize, and rural communities. It also makes the rehabilitation of community projects like theaters, libraries, and schools easier while maximizing the impact of state historic tax credits. Finally, the bill would make more historic properties eligible to use the credit by updating program requirements to reflect current industry practices. These reforms would be the first major changes to the Historic Tax Credit (HTC) since the Tax Reform Act of 1986.

I know the importance of this tax credit because I have seen the results in my own District. In Rhode Island's 1st district, there have been 9 projects that have used federal historic tax credits since 2014. These projects had approximately $64,664,659 in qualified rehabilitation expenses, making them eligible for nearly $13 million in federal historic tax credits that then helped revitalize towns and cities all over the 1st district, including: Providence, Coventry, Pawtucket and Cumberland. These 9 projects account for a fraction of the 178 projects that have taken place across Rhode Island since 2001, which has led to significant investment, job creation and tax revenue in the 1st district and across the state.

I strongly urge the Committee to take up and pass H.R. 3846, the Historic Tax Credit Improvement Act.

I am also a strong supporter of H.R. 902, the Earned Income Tax Credit Improvement and Simplification Act, which would expand the credit for workers who are not raising minor children. The EITC Improvement and Simplification Act increases the maximum credit to childless workers to $1,350 while ensuring that full-time minimum wage workers qualify for the credit. This vitally important tax credit is a financial lifeline for so many working class men and women in my home state of Rhode Island and across the country.

In order to rebuild our economy after the great recession and to ensure that the United States is leading the world in manufacturing, it is critical that Congress create a tax environment that allows manufactures to invest in growing their business, increase output, and generate good paying jobs. To do this, it is critical that Congress increase the Research and Development tax credit and the domestic manufacturing tax credit to ensure manufacturers have access to the capital they need to upgrade equipment or facilities to grow their businesses. That is why I am a proud cosponsor of H.R.1852, the 21st Century Investment Act, which would permanently increase the R & D tax credit from 20 to 25 percent, and would increase the domestic manufacturing tax credit from 9 to 15 percent for ten years. Proposals like the 21st Century Investment Act are a move in the right direction to boost job creation and revitalize manufacturing in the United States in order to be competitive in a 21st century global economy.

One of the biggest expenses for many families today is the cost of education. The cost of college tuition has grown exponentially in recent years, putting higher education out of reach for so many Americans, or burdening families and young people with exorbitant monthly payments. I urge the committee to consider legislation that would ease the burden of the cost of higher education including H.R. 1260, the American Opportunity Tax Credit Act of 2015 which would establish an income tax credit of up to $2,500 of the qualified tuition and related expenses of students and allows an exclusion from gross income of any amount received as a Federal Pell Grant.

The ideas and legislation I've laid out above are just the start of what should be a comprehensive overhaul of our federal tax system, that seeks to ensure fairness in our personal tax code, keeps companies from moving jobs overseas, and provides credits to help average working Americans afford things like childcare, education, and housing. I look forward to working with the Committee on moving these proposals forward.

114TH CONGRESS, 2ND SESSION

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Congress of the United States

JOINT COMMITTEE ON TAXATION
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Honorable Mike Coffman
U.S. House of Representatives
2443 Rayburn House Office Building
Washington, D.C. 20515

FEB 2 5 2016

Dear Mr. Coffman:

This letter is in response to your request dated January 15, 2015, for a revenue estimate of a proposal to expand the earned income tax credit ("EITC") for childless workers along with several revenue-raising provisions. The estimated revenue effects presented herein reflect the legislative language received from Mr. Jeremy Lippert of your office on February 9, 2016, presenting the "Enhancing Advancement, Reducing Noncompliance, and Improving Trust Act," or "EARN IT Act." The proposal would expand the childless worker component of the EITC, require certification of residency for children claimed under the EITC, require Social Security numbers for children claimed under the Additional Child Tax Credit, amend the Food and Nutrition Act of 2008, and increase the disallowance period for improperly claimed EITC.

Before providing additional information relevant to your proposal, two provisions affecting the revenue estimates herein deserve attention. First, section 5 of the EARN IT Act amends the Food and Nutrition Act of 2008 to repeal the State work program waiver authority for the Supplemental Nutrition Assistance Program. Such a proposal falls within the purview of the Congressional Budget Office, which requests that you contact that office, attention to Ms. Kathleen FitzGerald, directly for an estimate of the budgetary impact of this provision. Second, section 6(b) of the EARN IT Act expands math-error authority to the Internal Revenue Service ("IRS") for EITC claims made during a taxpayer's disallowance period. This authority was granted in section 208 of Division Q, "Protecting Americans from Tax Hikes Act of 2015," of the Consolidated Appropriations Act of 2016 enacted December 18, 2015.

Section 32(b)(3) of the Internal Revenue Code (the "Code") defines the EITC credit percentages and amounts which, subject to the eligibility requirements and restrictions set forth in Code section 32, determine taxpayers' allowable EITC. Code section 32(j) further specifies how the EITC amounts given in section 32(b)(2) are adjusted for inflation. Sections 2(a), 2(b), and 2(d) of your proposal increase both the EITC credit percentage and credit amount for eligible individuals with no qualifying children. Such EITC credit is often referred to as the "childless worker credit." Specifically, section 2(a) of your proposal doubles the credit percentage and phaseout percentage from 7.65 percent to 15.3 percent for the childless worker EITC. Sections 2(b) and 2(d) of your proposal together (*i*) decrease the earned income amount from \$4,220, with inflation adjustment relative to 1992 (adjusted to \$6,610 for 2016), to \$6,570, with future inflation adjustment relative to 2015; and (*ii*) increase the phaseout amount from \$5,280, with inflation adjustment relative to 1992 (adjusted to $8,270 for 2016), to $11,500, with future inflation adjustment relative to 2015.

Section 2(c) of your proposal further amends the childless worker EITC by lowering the eligibility age for taxpayers who may claim it. Under current law, Code section 32(c)(1)(A)(ii)(II) enables individuals who do not have a qualifying child to be eligible, in part, in the taxable year the individual (or either individual if taxpayers are married and filing a joint return) attains age 25 but has not attained age 65. Section 2(c) of your proposal would lower the minimum eligible age from 25 to 21 for all taxpayers.

Section 3 of your proposal adds to Code section 32(c)(3) a requirement for certifying the residency of all children claimed under the EITC. For the purposes of claiming a child under the EITC, Code section 152(c)(1)(B) requires the child to have the same principal place of abode as the taxpayer for more than one-half of the taxable year. Code section 32(c)(3)(C) further clarifies that such abode must be within the United States. In its 2002 report, "Compliance Estimates for Earned Income Tax Credit Claimed on 1999 Returns," the IRS identified "qualifying child errors" as one of the three major sources of errors on claims for the EITC. As part of a three-year, national- and community-based study during tax years 2003 to 2005, the IRS investigated the impact of a residency certification requirement for EITC claimants who reported qualifying children.[1] Test group EITC claimants were required to submit Form 8836, "Qualifying Children Residency Statement," in addition to one or more of the following which, when taken together, demonstrate that the claimed qualifying children met the residency requirement: (*i*) Third Party Affidavits (Schedule A or Schedule B to Form 8836), (*ii*) a signed letter on official letterhead from specific third parties; or (*iii*) copies of personal, household, or community records. In accordance with the information provided by Mr. Lippert on February 22, 2016, the assumed format of the Third Party Affidavits for revenue estimation purposes is Schedule A of Form 8836, which gives a list of the acceptable third parties for certification, rather than Schedule B, which generally allows any non-family member to certify residency. If the format of the affidavits were more similar to Schedule B after enactment, the revenue protected (raised) by this provision would be smaller.

Implementation of section 3 of your proposal would predominantly offset the cost of the expansion of the childless worker EITC in section 2 yet would significantly affect EITC

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[1] "IRS Earned Income Tax Credit (EITC) Initiatives: Report on Qualifying Child Residency Certification, Filing Status, and Automated Underreporter Tests," Internal Revenue Service, Washington, DC, 2008.

claimants with children and the IRS. Based on the IRS 2004 tax year EITC study results,[2] between one and three percent of eligible taxpayers would be deterred from appropriately claiming the EITC due to the certification requirement. This deterrence may stem, in part, from taxpayers needing to share select taxpayer information (*i.e.*, that the taxpayer will be claiming the EITC on his or her tax return) with unrelated individuals. Economic research concerning another support program for low-income taxpayers, food stamps, suggests the Third Party Affidavits have the potential to deter appropriate claims of the EITC by generating social stigma from taxpayers being negatively perceived by community members for program participation.[3] In the case of food stamps, program participation lagged eligibility despite the program's effect of reducing food insecurity. With respect to the magnitude of effort to comply with the requirements, taxpayers claiming children for EITC in the 2005 IRS study produced an average of more than 2.7 documents to certify residency;[4] because approximately 20 million filers are expected to claim the EITC with children for tax year 2016 under the proposal, the IRS would receive a substantial influx of documentation. At current IRS funding levels, the ability of the IRS to utilize such documentation for adjustment purposes is unclear. An addendum to the final EITC Initiatives report considered the potential return on investment of several implementations of the certification requirement and concluded that evidence "support[s] the contention that EITC correspondence examinations are a more efficient enforcement treatment than [residency] certification (though, as noted above, the certification program is not simply about enforcement)."[5] Finally, the IRS study found that, nationally, the taxpayers required to submit residency certification spent 9.1 hours longer preparing their return than those without the certification requirement. This amount of time represents a more than threefold increase in total return preparation time.

Section 4 of your proposal amends the requirements for claiming the Additional Child Tax Credit ("ACTC"), the refundable portion of the Child Tax Credit. Under current law, in order for a child to be a qualifying child for purposes of the dependent exemption and the

[2] "IRS Earned Income Tax Credit (EITC) Initiative: Report on Fiscal Year 2005 Tests," Internal Revenue Service, Washington, DC, 2007.

[3] Yen, S.T., M. Andrews, Z. Chen, and D.B. Eastwood (2008). "Foot Stamp Program Participation and Food Insecurity: An Instrumental Variables Approach," *American Journal of Agricultural Economics* 90(1): 117-132.

[4] "IRS Earned Income Tax Credit (EITC) Initiative: Report on Fiscal Year 2005 Tests," Internal Revenue Service, Washington, DC, 2007.

[5] "IRS Earned Income Tax Credit (EITC) Initiatives: Addendum to the Report on Qualifying Child Residency Certification, Filing Status, and Automated Underreporter Tests – Implementation of Alternative Approaches to Improving the Administration of EITC," Internal Revenue Service, Washington, DC, 2008.

refundable and nonrefundable portions of the Child Tax Credit, he or she may be a U.S. citizen, national, or a U.S. resident alien. A taxpayer is required to include the name and taxpayer identification number on the tax return for each qualifying child in order to claim the exemption and child tax credit with respect to that child. Under current law, a Taxpayer Identification Number includes ITINs issued for tax-filing purposes by the IRS. Section 4 of your proposal would require each child claimed for the ACTC to have a Social Security number as his or her reported Taxpayer Identification Number.

Section 6(a) of your proposal extends the disallowance period for taxpayers who improperly claim the EITC based on reckless or intentional disregard of the rules. Under present law, Code section 32(k)(1)(b) gives the period for which no EITC credit may be claimed as 10 taxable years after the most recent taxable year when there was a final determination that the taxpayer's claim of EITC was due to fraud, and 2 years if the claim of EITC was due to reckless or intentional disregard of rules and regulations but not due to fraud. Your proposal would extend the 2 taxable-year disallowance period for reckless or intentional disregard of rules and regulations to 5 taxable-years.

For the purposes of estimation, the proposal is assumed to be enacted March 1, 2016. The estimated provisions of your proposal (sections 2, 3, 4, and 6(a)) are effective for taxable years beginning after December 31, 2015. The estimated revenue effects, in billions of dollars, of these provisions on Federal fiscal year budget receipts are as follows.

Fiscal Years
[Billions of Dollars]

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2016-21	2016-26
Sections 2, 3, 4, and 6(a) of the EARN IT Act..............	[1]	1.2	0.9	0.4	0.3	0.1	0.1	0.2	0.3	0.2	0.2	2.8	3.7
Associated Outlays	[2]	-1.9	-1.7	-1.2	-1.2	-1.0	-0.9	-1.1	-1.2	-1.1	-1.2	-7.0	-12.4

NOTE: Details may not add to totals due to rounding.
[1] Loss of less than $50 million.
[2] Reduction in outlays of less than $50 million.

Congress of the United States
JOINT COMMITTEE ON TAXATION
Washington, DC 20515–6453

Honorable Mike Coffman
U.S. House of Representatives

I hope this information is helpful to you. If we can be of further assistance in this matter, please let me know.

Sincerely,

Thomas A. Barthold

Thomas A. Barthold

Congressman Mike Coffman
Statement Regarding the EARN IT Act

Tax reform has critically important implications for our economic prosperity, business and job creation, and basic issues of fairness and opportunity. I am here today to address all three by discussing the Earned Income Tax Credit, or EITC.

I have proposed legislation – the EARN IT Act, H.R. 4946 – to expand the credit for single, childless workers. The EITC is many times more valuable for adults with children than for childless adults. My bill demonstrates that being fiscally responsible and helping the less fortunate are not mutually exclusive, because the cost of the expansion is offset with program integrity measures. The Joint Committee on Taxation estimated that my bill would result in a net increase in federal tax revenues of $3.7 billion over the 10-year budget window.

All Americans should have equal access to the economic opportunity our country offers. Our free market system is one of the best in the world for promoting social and economic mobility, but it is still difficult for too many people to seize that opportunity – especially young people from poor communities; minorities and immigrants; people who have difficulty finding traditional employment, like former felons; and college graduates struggling to pay bills while looking for that first full-time job. This expansion would help men and women alike who are just starting out on their own, or who are trying to get back on their feet.

When it comes to helping the poor, the prospect of raising the federal minimum wage has received a great deal of attention. But raising the minimum wage would also carry unacceptable costs in the form of lost opportunity among the lowest-paid, most accessible jobs.

A 2014 Congressional Budget Office study found that a $10.10 minimum wage would raise 900,000 people out of poverty, but would cost 500,000 jobs. I imagine the effects would be even greater if the wage were higher. The reality is a dramatic increase in the minimum wage will hurt the very people it is intended to help, by making entry-level jobs much harder to get. On the other hand, the Center on Budget and Policy Priorities estimates that in 2014 the EITC lifted 6.8 million people out of poverty.

The EITC is therefore a better alternative to raising the minimum wage. This expansion of the EITC doesn't require any additional outlay by businesses. It rewards work and incentivizes growing responsibility, because the credit gets larger as workers earn more. The extra income it provides can help people realize their dreams – like saving for a house or education, or getting married, or having a child, or simply paying off debt.

My bill would double the credit for childless workers and reduce the minimum age from 25 to 21. It would also double the rates at which the credit phases in and phases out. Finally, it would raise the range of income to which the credit applies: the credit would be fully phased in at $6,570 (currently $4,220), and would begin to phase out at $11,500 (currently $5,280). Not only would the credit be of greater value, but it would also apply to a broader range of incomes and income earners.

This expansion would obviously have a cost, but advocates have long said that reducing fraudulent or improper claims of the credit could be used to offset the cost. According to IRS estimates a quarter of EITC payments are issued improperly. Most erroneous payments occur when claimants list children who do not qualify them for the credit, either intentionally or because they are uncertain about how the credit works. The IRS does not have a realistic means of verifying child residency prior to awarding the credit.

However, the IRS did a study in 2003-2005 wherein it required an additional certification of residency, supported by letters, official documentation, or third party affidavits. The IRS concluded that this procedure could save half the revenue lost due to qualifying child residency errors.

The EARN IT Act would codify this process. My bill adds other integrity measures as well, including clarifying that children claimed under the additional child tax credit must have a valid Social Security Number, and expanding the disallowance period for taxpayers who improperly claim the EITC from two years to five years.

Similar expansions of the EITC for childless adults have been proposed by Speaker Paul Ryan and President Barack Obama, and supported by think tanks like AEI and Brookings. This proposal is a bipartisan no-brainer that will increase opportunity for low-paid and disadvantaged working poor – without harming businesses or pricing entry-level jobs out of the market.

May 11, 2016

Chairman Charles Boustany
Subcommittee on Tax Policy
Committee on Ways and Means
1102 Longworth HOB
Washington, D.C. 20515

Ranking Member Richard Neal
Subcommittee on Tax Policy
Committee on Ways and Means
1102 Longworth HOB
Washington, D.C. 20515

Chairman Boustany and Ranking Member Neal:

Thank you for the opportunity to share my support for H.R. 4622, the Carbon Capture Act, which would incentivize carbon capture and sequestration projects across the country. Through simple modifications to the existing 45Q tax credit contained in the proposed legislation, we could help reduce carbon emissions, create jobs, bolster our domestic oil production, and provide regulatory relief for our beleaguered coal and power industries.

While current law has spurred interest, development, and advancement in CCS, there are inherent limitations hindering its full potential. Modifications of 45Q are needed to better incentivize these projects. The path towards achieving our objectives is the eliminating the 75 million ton limit, increasing the value for certain projects, expanding eligibility, and allowing assignability of the credit. If these provisions are adopted, our nation can continue to reap the benefits of CCS at an accelerated rate. My legislation would provide sensible changes to ensure financial certainty for private sector investment and overall effectiveness of initial section 45Q intents.

Carbon capture and sequestration technologies are a testament to America's strong innovative spirit, inventiveness, and bright energy future. These projects are bringing groups to the table that do not traditionally work together for the betterment of the nation's energy supply, and are eliminating the false choice that has been presented to the American people between an ample energy supply and clean community. The unique path that CCS technologies provide will ensure that they remain a critical part in our nation's future energy portfolio.

The Carbon Capture Act has gathered strong bipartisan support of Members from across the country, including Chairman Boustany. I appreciate this opportunity to discuss section 45Q, and hope to have the committee's support in moving this legislation forward.

Sincerely,

K. Michael Conaway
Member of Congress

Congressman Joseph Crowley
Record Testimony – Subcommittee on Tax
May 12, 2016

- Chairman Boustany and Ranking Member Neal, thank you for holding this hearing and allowing Members to speak about their priorities as the Committee looks towards tax reform.

- Tax reform would give us a much-needed opportunity to address serious economic issues.

- The country is facing a savings and retirement security crisis.

- One-third of workers - and nearly two-thirds of workers earning less than $35,000 a year - say they're not saving for retirement at all.

- Too many workers do not have access to a retirement savings plan at work, particularly workers at smaller firms or who work part-time.

- Even for those who are saving, the picture isn't any rosier. The median amount saved for retirement in the U.S. is only a fraction of what people will need to have saved to continue their standard of living in retirement.

- And aside from retirement, many Americans don't have savings for the short term, or to weather emergencies.

- We know that savings are the path for families to achieve the American Dream, yet that dream is increasingly being put at risk.

- But, we can turn this around. That's why I have been championing an action plan to help address this savings and retirement security crisis.

- I put forward a plan entitled, "Building Better Savings, Building Brighter Futures" to give working families the tools to prepare for whatever the future may bring – whether that's college in a few years, a car repair tomorrow, or retirement down the road.

- This plan starts at day one of a child's life.

- That's why the very first prong of this plan is a measure to establish USAccounts – a savings plan for every American child.

- Upon the birth of a child, a USAccount will be established in the child's name, and the federal government will contribute $500 in seed money. Parents can deposit up to $2,000 annually, post-tax, into an account.

- Recognizing it may be hard for families to get started, my bill provides a matching increase in the Child Tax Credit of up to $500 per account, per year, to reward contributions made, while also providing some funds that can be used for future contributions.

- And for families at the lowest income levels, the government will match their contributions another time, up to an additional $500 per account, per year.

- When the child becomes an adult, they can use this money to pay for college. Or, the funds can be rolled over to a Roth IRA, helping young adults with other important expenses, or to start their long-term savings on the right foot.

- This bill not only helps families build wealth, it also helps individuals build experience in developing a habit of saving.

- We have seen similar child savings accounts with matching funds work successfully in San Francisco, and I believe the time is now to adopt this type of plan nationally.

- The second part of my plan focuses on how we can make saving easier for working adults.

- While many working adults say they recognize the importance of saving, many aren't able to benefit from traditional savings vehicles because of barriers like minimum contributions or fears over fluctuations in the market that could threaten their limited savings.

- That's why I welcomed President Obama's announcement to establish *myRA* accounts as a new option for saving.

- While the President had the legal authority to create this program, I believe we should codify it into law to encourage more people to take advantage of it. We need *myRA* accounts to become more widespread and more widely used.

- The *myRA* account fixes some of the most common concerns that people express with other long term savings options. It will allow a worker to open an account with as little as one dollar, and gives them the ability to make automatic payments of even just two dollars every pay period. There are also no maintenance charges or fees associated with these accounts, meaning every dollar that is invested will be returned – plus interest – to the account holder.

- Additionally, *myRAs* are winning the support of employers, such as the Queens County Chamber of Commerce in my district, as these "my Retirement Accounts" allow them to provide their employees with a safe, stable, portable fringe benefit, with little hassle or cost to the employer. It allows them to help open up the opportunity for their employees to save.

- *myRA* alone will not solve the savings and retirement crisis, but it starts workers down the path towards saving – the financial path of setting aside money, and the psychological path of focusing on the importance of saving for the long term.

- Building savings becomes even more important as workers move toward their later years and begin to consider retirement, where every dollar counts when it comes to saving.

- So the third part of my plan would help ensure a more secure retirement for workers.

- Every American should be able to retire with some kind of pension – a strong asset that they can further build upon with personal savings and Social Security benefits.

- So the third component of my plan is an idea I've worked on with Third Way, which will create federal accounts known as "SAVE UPs" for those workers who do not enjoy an employer-provided retirement plan.

- Under this plan, at a business with 10 or more employees, the employer will directly contribute fifty cents per employee, for each hour worked, into the employee's individual SAVE UP account, and this hourly contribution will increase annually to match the cost of living.

- To help with the cost of contributing to these plans, small employers can receive a tax credit worth the value of contributions to 10 employee accounts. For a small business with fewer than 10 employees, while they're not required to contribute to employees' SAVE UP Accounts, this tax credit will be available to them to make it financially possible for them to create and contribute to these accounts voluntarily.

- These accounts will make a big difference to employees.

- According to data from Third Way, even if the employer contributes just 50 cents per employee, per hour worked, an individual who works full time for 45 years can expect to see $160,000 upon retirement.

- Aside from the employer contribution, once enrolled, employees will automatically begin contributing 3% of their pre-tax income, which increases gradually over time to 5% of pay. While employees can always opt-out, we have seen that auto-enroll initiatives do a great deal to improve participation in savings plans.

- If that same worker made their own contributions in addition to what the employer puts in, he or she could see over $320,000 at retirement; a working couple would have saved almost $650,000.

- And these funds would be paid out through annuities to provide retirees a form of guaranteed income they can rely on.

- When you add that to Social Security benefits, these workers will see a much more stable retirement picture, and that's good for everyone.

- That also means continuing the fight to keep strengthening and defending Social Security.

- With a large and growing surplus of over $2.8 trillion, Social Security will be able to pay out full benefits for years. In fact, the most recent report of the Social Security Trustees projects that Social Security can continue to pay full benefits through at least 2033. With some modest tweaks to the program and a strong defense against drastic changes, we can ensure the program will remain this strong for decades to come.

- In particular, we need to address eliminating the cap on a worker's earnings that are taxed to pay for Social Security. This cap is currently arbitrarily set at $118,500 in earnings, and as a result blocks off funds that could significantly strengthen the Social Security program.

- Congress must also oppose changes to the Cost Of Living Allowance for Social Security known as the "Chained CPI." Or, as I call it: the "Chainsaw CPI," as it cuts benefits for retirees and veterans.

- Finally, while I address my bills here, there are a number of other key legislative items that also address the savings and retirement crisis in America, and I must mention the bill championed by Congressman Neal that would automatically enroll workers without access to a workplace plan in an IRA.

- This same idea has been included in the President's budget, and is the basis of the letter I led, along with 65 of my House colleagues, calling on the President to take executive action to require Federal contractors to auto-enroll all of their employees in retirement plans.

- The Department of Labor estimates that one in four Americans working in full-time, private-sector jobs are not taking advantage of their employer-provided retirement plan. Auto-enrollment has been known to increase this participation rate above 90%.

- It is my hope that this Congress will pass Congressman Neal's bill, and in the meantime that the President will take action to urge all Federal contractors to automatically enroll their workers in their employer-provided retirement plan.

- The equation for retirement security is Social Security plus pensions plus personal savings. That equals a healthy retirement.

- And that's why we need to make sure all three are strong.

- Working together, we can fix the savings and retirement security crisis.

- In addition to addressing the savings and retirement crisis in the country, I would also like to provide my thoughts on other key tax priorities facing our country.

- As I have said on multiple occasions, our nation's tax code is unfair, complicated, inefficient, and doesn't promote growth in the United States. But we can change this fact.

- Tax policy can be used to help lift up families, create jobs and grow our economy, and I want to highlight a few other bills that can accomplish these goals.

- With respect to helping working families prosper, I join Congressman Neal as a cosponsor of his bill to simplify the Earned Income Tax Credit (EITC), which is a tax benefit eligible to working families with children. Simplification of this valuable benefit is necessary as the current credit is far too complex, which leads to both an unacceptably high error rate, and concerns that some workers may become disheartened by the complexity and not even apply although they are eligible.

- I join my friend and colleague Congresswoman Rosa DeLauro in her belief that we must index the Child Tax Credit to ensure it keeps up with inflation. We index the estate tax for the richest one percent; we should also index the Child Tax Credit for the working 99%. And when we increase this credit, we should not place additional roadblocks in front of parents looking to claim this benefit for their child's wellbeing.

- Additionally, we need to extend and expand certain tax benefits, including the EITC and the Child Tax Credit, to the over 3 million American citizens living in Puerto Rico and our other territories, and I support the efforts of Congressman Bill Pascrell in this effort.

- Working with Congressman Rob Bishop, I am the lead Democrat on legislation to increase the deduction for host families of foreign exchange students and index that amount to inflation. Families don't take in exchange students for the money, but we should ease the financial sacrifice they are making as they serve on the front lines in our nation's diplomacy. Of international high school students surveyed, 97 percent said their year in the U.S. gave them deep, nuanced, and more favorable views of the American people and culture. We need to encourage more exchanges of people and ideas.

- Our tax code can also be used to grow our economy and create more and better paying jobs. For that reason, I strongly support Congressman Neal's bill to renew the Build America Bonds program. Created in the Recovery Act at a cost of $4 billion, this program spurred over $137 billion in new infrastructure projects – and many jobs – by state and local governments.

- Last year, working with Chairman Brady, we successfully undertook some reforms to the laws that restrict foreign ownership of US real estate. These minor changes to the punitive FIRPTA tax laws are expected to inject another $30 billion of foreign investment in US real estate in 2017 alone. I am starting to look at legislation that would further scale back these restrictive tax laws, up to and including full repeal of FIRPTA.

- I am the lead Democrat on legislation by Congressman Doug Collins to extend the FILM Act that provides incentives for TV, movie and theater production. The filmed entertainment industry now contributes $8.7 billion and employs over 104,000 full-time workers in New York City. Live theatre directly supports 87,000 full-time jobs and contributed approximately $11.9 billion to New York City's economy. We should make the current law permanent.

- Finally, we need to make our tax code more competitive and address the loopholes that provide tax benefits to offshore U.S. jobs. This is wrong and must be changed, and I am pleased Congressman Bill Pascrell has a bill to fix this egregious problem.

- We have the opportunity to address the problems with our tax code and make the code work again for families to prosper and employers to grow and hire.

- I thank you for allowing me to testify and want to again state I am here to work in a bipartisan manner with anyone and everyone to make our tax code, and our economy, function at 110 percent.

U.S. Representative Mike Doyle

Chairman Boustany and Ranking Member Neal, I would like to commend you for holding an important hearing , "Member Day Hearing on Tax Policy, held on May 12, 2016. I would like to add my voice to the record supporting H.R. 5002, The Steel Industry Preservation Act. This is a bill that my friend and fellow Pennsylvanian, Mike Kelly are cosponsoring. I regret that I could not attend the hearing in person but appreciate your opening the record to receive other Members' thoughts.

As your committee considers ways to improve the Tax Code as currently written, I hope you will look favorably on this modest proposal that will encourage recycling of a hazardous waste and support a critical domestic industry.

The Bill Mr. Kelly and I introduced would create a tax credit for the recycling of a hazardous waste called Steel Industry Fuel (SIF), which is a byproduct of the coking process. As you may know, coke is one of the crucial ingredients in steelmaking. It is produced from metallurgical coal, which comes from West Virginia and Kentucky and feeds steel mills across the US.

While SIF is a hazardous waste, the Environmental Protection Agency has designated recycling as the preferred method of disposal. There are significant upfront costs for recycling facilities and engineering, but with a small incentive this process can be put in place at recovery coke batteries from Pennsylvania, West Virginia, and Ohio to Michigan, Alabama, Indiana, and Illinois. It would also help metallurgical coal facilities in Kentucky and West Virginia.

The American steel industry finds itself in dire straits – pressured by unfair trade practices, a flood of imports, the slowdown in the global economy, and myriad other issues. As we look for ways to help keep our industry competitive, the Steel Industry Preservation Act would provide a modest but valuable boost to integrated steelmakers and their bottom lines.

The credit offers a barrel-per-oil equivalent tax credit on every gallon of recycled Steel Industry Fuel. This credit would reduce input costs for steelmakers, allowing them to carry savings through to finished products. The industry and its workers have been supportive of this proposal for many years and I am proud to stand with them in fighting for a better future for our domestic steel industry.

The steel industry directly employs tens of thousands of workers and indirectly supports more than 100,000 additional jobs. Steel is woven into the structural fabric of America and has been the backbone of our economic well-being for a century and a half. As the industry struggles and looks for relief, I hope you will join Mr. Kelly and I in supporting this small and targeted assistance.

I very much look forward to working with Mr. Kelly and the Committee to advance this proposal in a tax vehicle later this year.

Finally, I thank you again for the opportunity to be part of the record and to highlight a provision that is so important to Pittsburgh, Southwestern Pennsylvania, and our country.

Testimony of Representative Anna G. Eshoo (CA-18)
Subcommittee on Tax Policy
House Committee on Ways and Means
Member Day Hearing on Tax Legislation
1100 Longworth House Office Building
May 12, 2016

Chairman Boustany, Ranking Member Neal, thank you for creating this opportunity for me to testify before your subcommittee today on bipartisan legislation I recently introduced, H.R. 4696, the *Helping Our Middle-Income Earners (HOME) Act*.

The *HOME Act* is simple. It would allow homeowners who live in a community association and who make up to $115,000 in annual income to deduct up to $5,000 in community association assessments from their federal tax liability.

Community associations, which include condominium associations, homeowner associations, and housing cooperatives, have grown substantially in recent decades and offer affordable housing opportunities in countless communities across the United States. Today, approximately 67 million Americans reside in 27 million housing units within a community association. My Silicon Valley Congressional District alone has 260,000 housing units that are in a homeowners association.

We know middle class families are struggling to keep up with the rising costs of living and the purpose of the *HOME Act* is to provide these homeowners with tax relief to help them stay ahead financially.

The *HOME Act* also recognizes that community association assessments fund infrastructure and services that would traditionally be provided by the homeowner's local municipality and paid for through property taxes. These services include street and sidewalk maintenance, trash and snow removal, and storm water management, among others. Because these homeowners pay property taxes and community association assessments, they are effectively taxed twice for local services. This problem was recently highlighted in a column that ran on May 4th in the *Washington Post* and the *Chicago Tribune* regarding H.R. 4696.

I commend the Subcommittee for listening to the priorities of your colleagues who are not Members of the Committee, and I ask you all to cosponsor H.R. 4696. I also hope you'll give this bill fair consideration as you look at broad changes to our nation's tax code over the remainder of the 114th Congress.

60PLUS.ORG
60 PLUS ASSOCIATION

January 12, 2016

The Honorable John Fleming
2182 Rayburn House Office Building
Washington, DC 20515

Dear Congressman Fleming:

On behalf of more than seven million senior citizen activists, the 60 Plus Association offers our most sincere thanks and appreciation for your continued leadership and support of H.R. 1397, Seniors' Tax Simplification Act of 2015.

With the continued struggle of America's elderly to meet their current economic challenges, it is crucial that there be a tax form for seniors to file that will ease their reporting requirements pertaining to Social Security and that will allow for simpler and hassle free tax reporting. The 1040 EZ form which allows the IRS to properly calculate either liabilities or refunds is insufficient for seniors, as that form does not include a line for pension and Social Security income.

Fortunately, the "Form 1040SR" in your legislation, will include a line for pension and Social Security income. Seniors deserve and need a new form that is more user friendly for those over the age of 65.

We will continue to alert our senior citizen activists of the importance of this bill and will be encouraging them to contact their Members of Congress to join you in co-sponsoring this important piece of legislation. Once again, we thank you for your leadership on this issue.

Sincerely,

Matthew B Kandrach

Matthew Kandrach
Vice-President

60 Plus Association
515 King Street ▪ Suite 315 ▪ Alexandria, VA 22314
(703) 807-2070 ▪ Fax (703) 807-2073
info@60plus.org

March 18, 2015

The Honorable John Fleming
4th District, Louisiana
2182 Rayburn House Office Building
Washington, DC 20515

The Honorable Gwen Graham
2nd District, Florida
1213 Longworth House Office Building
Washington, DC 20515

Dear Representative Fleming and Representative Graham,

On behalf of the 1.3 million members of AMAC, the Association of Mature American Citizens, I am writing to offer strong support for your bill, H.R. 1397, the "Seniors' Tax Simplification Act of 2015." This timely legislation is not just great for American seniors but is a positive first step in simplifying the tax code in America.

Representing both currently retired and older working citizens, AMAC greatly appreciates and values any bill that looks to simplify the tax code for hardworking mature Americans. In an era of increased federal tax regulations and growing revenue reporting standards, American seniors and prospective retirees should not be unnecessarily burdened with administrative government paperwork that is complicated, confusing, and/or redundant.

AMAC firmly believes that the "Seniors' Tax Simplification Act of 2015" is the exact type of commonsense legislation that should be generated and embraced by elected Members of Congress. H.R. 1397 will make it easier for older Americans to file their taxes quickly and efficiently, and it will not cost the U.S. taxpayer or use federal revenue to be implemented. Looking ahead, H.R. 1397 can also serve as a practical, real-world model for wider simplification of the U.S. tax code, which is desperately needed.

Thanks to your innovative thinking, leadership, and concerned attention, AMAC is proud to support H.R. 1397, the "Seniors' Tax Simplification Act of 2015." AMAC believes this bill is a critical piece of legislation that will go a long way in improving and easing the lives of mature Americans and seniors – especially around tax-time. We strongly urge complete passage of this bill by the U.S. Congress as quickly as possible.

Sincerely,
Dan Weber
President and Founder of AMAC

AMERICANS for TAX REFORM

722 12th Street N.W.

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January 8, 2016

Dear Member of Congress:

I urge you to support and co-sponsor H.R. 1397, the "Seniors' Tax Simplification Act," sponsored by Congressman John Fleming, M.D. (R-La.).

This legislation creates a new, simplified tax form, the 1040SR, available to seniors who receive the majority of their income through social security benefits.

This tax form will make compliance easier for many of the more than 23 million seniors who file taxes each year and includes information for the most common types of income reported by seniors - interest, dividends, capital gains, Social Security benefits, pension payments, IRA distributions, wages, and unemployment compensation.

A similar form designed to make filing easier already exists, the 1040-EZ, which is used by almost 5 million households each year. Given the success of this form in simplifying the tax code for younger workers, there is no reason that seniors should not be given this same assistance.

There is a clear need to provide this simplification. Each year, compliance with the tax code costs Americans six billion hours and $168 billion. This legislation will help reduce complexity and give seniors access to a more efficient and streamlined process.

I urge you to support the Seniors' Tax Simplification Act, and help reduce the cost of complying with the overly complex tax code.

To co-sponsor, please contact Katie Doherty at Katie.Doherty@mail.house.gov or at (202) 225-2777.

Onward,

Grover G. Norquist
President, Americans for Tax Reform

March 18, 2015

The Honorable John Fleming
United States House of Representatives
2182 Rayburn House Office Building
Washington, DC 20515

The Honorable Gwen Graham
United States House of Representatives
1213 Longworth House Office Building
Washington, DC 20515

Dear Doctor Fleming and Representative Graham:

On behalf of the members of National Taxpayers Union (NTU), I write to endorse H.R. 1397, your "Seniors' Tax Simplification Act." This legislation would create a new 1040SR form that simplifies tax filing requirements for seniors, who often have multiple sources of non-wage income not accounted for under the standard 1040EZ.

While the creation of a new tax form is sometimes cause for concern among taxpayers, in this instance, H.R. 1397 would ease the pain of the annual filing ritual for many seniors. NTU's 2014 tax complexity study found that Americans spent more than 6.1 billion hours complying with our federal tax laws. All that time, combined with billions spent on tax software and other out-of-pocket costs, puts the total burden of compliance at a staggering $224.3 billion a year – just for federal income taxes alone.

By using the 1040EZ form, rather than the "long" form 1040, many taxpayers have been able to streamline their tax filing by avoiding detailed deductions and other time-consuming calculations. However, the 1040EZ form doesn't take into account pensions or Social Security; two forms of income that are among the most common for seniors in their retirement. The proposed 1040SR form keeps the same basic model of the simplified 1040EZ with added lines to include Social Security, retirement benefits, interest, and capital gains. This provides a streamlined solution – at no additional net cost to taxpayers – for seniors, who can be especially hard-hit by the financial and technical considerations involved in the filing process.

Tax compliance shouldn't be an expensive logistical nightmare for citizens. To help spur economic growth and international competitiveness, our current federal, state, and local tax systems should be replaced with alternatives that are less complex, less burdensome, and less economically harmful. Americans need comprehensive tax reform that results in a fairer, flatter system.

Until a top-to-bottom overhaul of the tax laws can be completed, H.R. 1397 would be a step in the right direction by providing immediate relief for seniors. NTU is pleased to endorse the "Seniors' Tax Simplification Act" and urges all Representatives to cosponsor this legislation.

Sincerely,

Nan Swift

Nan Swift
Federal Affairs Manager

108 North Alfred Street * Alexandria, Virginia 22314 * Phone: (703) 683-5700 * Fax: (703) 683-5722 * Web: www.ntu.org

Ways and Means Committee
Member Day Hearing on Tax Legislation
Rep. John Fleming,
May 12, 2016

Thank you, Mr. Chairman.

I would like to thank Chairman Brady for this opportunity to testify before the House Ways and Means Committee on H.R. 1397, the Seniors' Tax Simplification Act.

Every day, and every day for the next 14 years, 10,000 Americans will celebrate their 65th birthday. In 2010, about 13 percent of the national population was 65 years old or older. That percentage is expected to grow to 18 percent by 2030.[i]

Recent IRS statistics tell us that about 23 million seniors filed taxes. That's nearly 16 percent of all tax filers. Millions of these senior filers claimed a pension or annuity, and social security benefits.

There is no doubt that the American senior population is increasing, and in all likelihood, the number of senior tax filers will increase as well. What's concerning, and unique to this segment of the population, is the fact that seniors, by virtue of their age and type of income, are precluded from using Form 1040EZ, the easiest and most basic individual income tax return form available.

H.R. 1397, the Seniors' Tax Simplification Act, remedies this dilemma by providing a brief, easy-to-read form called Form 1040SR, specifically designed for older American taxpayers earning Social Security, retirement benefits, interest and capital gains.

The new Form 1040SR would not limit taxpayers by age or taxable income levels. H.R. 1397 would grant Americans over 65 years old access a straightforward tax form, and one that is tailored to their specific income needs. Under my legislation, seniors would no longer be categorically excluded from the option of easy filing.

In 2015 income tax filers had a choice between three tax forms: Form 1040EZ; Form 1040A; and Form 1040. All forms allowed taxpayers to claim the earned income tax credit (EITC). Each form, however, becomes incrementally laborious based on a taxpayers age, taxable income, and tax deductions and credits.

The new Form 1040SR would mirror Form 1040EZ with the exception that anyone over 65 could use the form and tax filers would not be limited by taxable income. Like Form 1040EZ, Form 1040SR would not allow taxpayers to itemize deductions or claim any tax credits with the sole exception of the EITC.

My legislation provides seniors with a choice. Like all tax filers, seniors will need to decide which form is best suited for their unique financial complexity. The easiest tax form is not always the best, but at least seniors will have the ability to decide that for themselves.

I would note for the record that H.R. 1397 has received broad coalition support. I intend to submit letters from AMAC (the Association of Mature American Citizens); Americans for Tax Reform; National Taxpayers Union; and 60 Plus Association, as part of my testimony.

Enactment of H.R. 1397 is not expected to cost the taxpayers any money. It could actually save seniors time, energy, and resources.

It is my pleasure to be with you today and I welcome your support for H.R. 1397, the Seniors' Tax Simplification Act of 2015.

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[i] http://www.pewresearch.org/pubs/1834/baby-boomers-old-age-downbeat-pessimism

Statement from U.S. Representative Bill Flores (TX-17)
U.S. House Ways and Means Subcommittee on Tax Policy Hearing on Member Proposals for Improvements to the U.S. Tax System

H.R. 3822, the "Student Loan Opportunity Act"

Chairman Boustany, Ranking Member Neal, and members of the Subcommittee:

Thank you for the opportunity to submit my support of H.R. 3822, the "Student Loan Opportunity Act," in the Subcommittee's effort to reform the tax code.

Each year more students are faced with climbing levels of debt due to student loans. According to the Federal Reserve, more than 41 million borrowers collectively owe over $1.35 trillion in student loan debt, which is at an all-time high. The federal government, through the U.S. Department of Treasury and Department of Education, is the largest holder of student loans in the country. Because of passage of legislation in 2010 that eliminated new originations in the public-private student loan program, the Federal Direct Loan Program has more than doubled since FY 2011 and is expected to again double in the next 10 years. Last year alone, more than 14.7 million students and more than 724,000 parents took out $97.5 billion in federal student loans owned by the U.S. Department of Education, many of which have high interest rates and fees. In my home state of Texas, more than 874,800 students and more than 41,600 parents took out almost $5.2 billion in federal student loans last year.

To assist our students and parents through this national debt crisis, I recently introduced H.R. 3822, the "Student Loan Opportunity Act". This legislation will enable nonprofit organizations to issue tax-exempt private activity bonds to provide lower-cost private loans to students and parents. It will help promote college affordability by saving students and parents money on their student loans, and introduce private capital back into student lending.

If enacted into law, the Student Loan Opportunity Act will allow nonprofit organizations across the country to offer fixed rate loans to borrowers with interest rates and fees that are significantly lower than Federal Direct Loans. Federal Direct Loans made to parents and professional and graduate students currently carry an interest rate of 6.84 percent and an origination fee of almost 4.3 percent. Federal Direct Loans made to graduate students, which have a statutory cap, carry an interest rate of 5.84 percent. Under H.R. 3822, nonprofits could also offer significant relief to existing borrowers by offering refinancing products that would allow students and families to refinance their higher-interest rate loans at lower interest rates, reducing monthly payments and the overall student loan debt burden.

The legislation will also allow the nonprofit sector to compete with the federal government, which has driven out private capital from the federal education loan program. As the Subcommittee knows, the U.S. Treasury is the largest holder of student loans and these loans appear on the nation's balance sheet. According to the Treasury Department's Fiscal Year 2015 Financial Report, 27 percent of the federal government's assets are federal student loans. U.S. taxpayers are now at risk on over $1.2 trillion of federal student loans. To put this in perspective, that amount is larger than the amount of auto loans (approximately $1.1 trillion) and almost double the amount of credit card debt ($700 billion) that is outstanding in this country. This increased competition from the private sector would be good for students and parents who are looking for opportunities to reduce their monthly student loan payments and for taxpayers who pay for the administration costs and defaults on the federal student loan program.

It is important to emphasize that the student loans made under H.R. 3822 would not carry any federal guarantees, subsidies, or special allowance payments like the discontinued Federal Family Education Loan Program. This bill contemplates the use of existing private activity bond capacity and private capital to help solve our country's student debt crisis. In addition, the existing "nexus requirement" in the Internal Revenue Code would apply to these bonds. Under this requirement, the bonds must be used to finance loans to students and parents that are residents of the state from which the volume cap for such loan was derived, or enrolled at an educational institution located in such state. As such, state-based nonprofits would be assisting borrowers with a direct connection to their respective state resulting in a localized delivery of service.

During this time when fewer students and parents believe that they will be able to afford to go to college, the Subcommittee should enact legislation that will slow the enormous debt burden shouldered by our students and families.

Thank you for your time and consideration of H.R. 3822.

May 10, 2016

The Honorable Kevin Brady
Chairman, Ways and Means Committee
U.S. House and Representatives
Washington, DC 20515

Dear Chairman Brady and Ways & Means Committee Members,

Thank you for the opportunity to submit a statement in support of tax policies which will strengthen our economy. Listed below are strong tax bills which I have had the honor of cosponsoring this Congress. While these tax bills will undoubtedly improve our tax system, I ultimately believe the best tax structure for our country is a flat tax.

The concept of the flat tax is simple – one tax rate is applied to all income levels. If you make more – you pay more. If you make less – you pay less.

Our solution should not be to punish job creators, but to simplify the tax law with fairness that has everyone paying the same tax rate: 15 percent across the board. My proposal would leave two deductions: (1) charitable contributions since true charities do a better job of getting help directly to those who truly need it, and (2) a mortgage interest deduction for one residential homestead.

Not only will a flat tax be fairer, but the economy will explode upward in a dramatic expansion and there will be even more revenue coming into the federal treasury. The historical facts show when you lower the tax rates, you create more growth, more businesses, more jobs and a much more robust economy – but it will be even better when everyone pays the same low tax rate.

History shows that when federal, state, or local governments raise tax rates on the ultra rich, the governments bring in less revenue because the super rich can live wherever they'd like. They move. In Great Britain, for example, after taxes were raised in 2009 to 50 percent on people making a million pounds or more each year, the number of millionaires living there immediately went from 16,000 to 6,000. Not only did revenues not increase; they decreased by raising those taxes in a class warfare play.

It is the poor and the middle class taxpayer who are wedded to their location. They cannot move their factory location, or mechanic shop, or store where they work or sell or clerk. They have to be at that location to keep their job.

It is time to truly level the playing field. It is the time to be bold with a flat tax across the board. It's time to articulate principles that don't defend the rich, but actually create and defend a system that allows everyone the opportunity to get rich.

In addition to implementing a flat tax, we could eliminate the biggest tariff on our domestic industry, the U.S. corporate tax, and watch our economy take off and thrive as our local industries are able to compete globally like never before. No longer will our U.S. corporations, and the jobs they provide for Americans, be lured away by more favorable tax packages abroad.

I would also like to give emphasis to my bill, H.R. 1813, the *No Taxation Without Representation Act*, which would exempt bono fide residents of D.C. from federal income taxation. After looking at the situation of U.S. territories such as Puerto Rico, Guam, Virgin Islands, or Samoa, I found that the residents there paid local taxes, but none paid federal income tax. In fact, one of the rallying cries during the American revolution was "Taxation without representation is Tyranny." That is why every United States territory that does not have a full voting U.S. Representative pays no federal income tax.

Clearly, the District of Columbia does not have a representative with full voting rights, yet they pay income tax. Originally the D.C. license plates with their statement of "Taxation without Representation" bothered me, until I realized they were right and this injustice should be corrected. I have filed this bill again hoping that this Congress will do the right thing by the citizens of the District of Columbia and end the federal income tax without representation. It is the fair, just and right thing to do.

Thank you for your attention and consideration as we work toward making our tax system stronger and more effective for the American people. Below you will find a list of the tax bills that I put my hearty support behind this Congress.

Sincerely,

Louie Gohmert
U.S. Representative
Texas 1st Congressional District

H.R. 27, the *Tax Code Termination Act,* (Rep. Bob Goodlatte) which would abolish the current Internal Revenue Code (excluding self-employment income, Federal Insurance contributions, and Railroad Retirement taxes) and would instead have called on Congress to implement a "simple and fair" tax system by July 4, 2019.

H.R. 589, the *Senior Citizens Tax Elimination Act,* (Rep. Thomas Massie), which would amend the Internal Revenue Code to repeal the inclusion of any social security or tier 1 railroad retirement benefits for gross income tax purposes.

H.R. 2812, the *Tax Free Health Insurance Act,* (Rep. Steve King) which would amend the Internal Revenue Code to allow an individual taxpayer a deduction from gross income of insurance premiums paid for health insurance coverage.

H.R. 622, the *State and Local Sales Tax Deduction Fairness Act of 2015,* (Rep. Kevin Brady) which would amend the Internal Revenue Code to make permanent the taxpayer election to deduct state and local general sales taxes in lieu of state and local income tax. This bill was passed by the House.

H.R. 1397, the *Seniors' Tax Simplification Act of 2015*, (Rep. John Fleming), which would direct the Internal Revenue Service to make available to taxpayers who have turned age 65 at the close of the taxable year a new federal income tax Form 1040SR (similar to the existing Form 1040EZ). Such taxpayers can use this new form even if their income includes: (1) social security benefits; (2) distributions from qualified retirement plans, annuities, or other such deferred payment arrangements; (3) interest and dividends; or (4) capital gains and losses.

May 26, 2016

The Honorable Charles W. Boustany, Jr. MD
Chairman
Subcommittee on Tax Policy
House Committee on Ways and Means
1102 Longworth HOB
Washington, DC 20515

The Honorable Richard Neal
Ranking Member
Subcommittee on Tax Policy
House Committee on Ways and Means
1139E Longworth HOB
Washington, DC 20515

Dear Chairman Boustany and Ranking Member Neal:

Thank you for the opportunity to offer my statement for the Ways and Means Committee's Member Day Hearing on Tax Legislation. It is an honor to serve with you in Congress, and I look forward to working with you to ensure our Nation's stability.

As you know, our federal tax code is madly complex, and there is universal agreement that we must reform our tax system. The last successful attempt was in 1986, and since then, the complexity of the code has increased greatly. Past Congresses and Presidents have been unable to summon the political resolve to find a long-term solution to our tax-code crisis.

One of my main priorities in Congress is working toward a tax code that is simpler, fairer, and flatter and promotes job creation, economic growth, and competition. The first bill I cosponsored was H.R. 27, the Tax Code Termination Act, which was introduced by Rep. Bob Goodlatte of Virginia. H.R. 27 would abolish our current tax code altogether and compel Congress to work together to put forth a new, more efficient, user-friendly system that not only funds our government, but also is fairer to the taxpayer and promotes long-term investment and growth.

Congress took a step toward comprehensive tax reform by passing the Protecting Americans from Tax Hikes (PATH) Act, which made over 20 tax relief provisions including the Research and Development Tax Credit, Section 179 small business expensing, and several provisions that enhance charitable giving, such as the IRA charitable rollover provision. While passing the PATH Act was an important first step, there is much work to be done to achieve meaningful tax reform that promotes economic growth and gives our businesses the certainty needed to grow, expand, and create jobs throughout the country.

At a rate of 35 percent—the highest of any developed nation—the U.S. corporate tax rate also puts our businesses at a competitive disadvantage globally and discourages investment in the United States. When you add together the burden of compliance on small businesses and families, the fact that the United States has one of the highest tax rates on long-term investment, the imperative of tax reform is clear: it is no longer an aspiration—it is a necessity for our successful economic policy.

I believe that tax reform should promote certainty, reduce complexity, and promote parity between business structures. One way to reduce complexity is by repealing the estate and generation-skipping transfer tax sections of the tax code. I was proud to cosponsor and support H.R. 1105, the Death Tax Repeal Act, when it passed the House on April 16, 2015. Repealing the outdated and burdensome "death tax" should be a priority in any tax reform to reduce complexity in the code and protect family farms and businesses across America from its stressful and potentially devastating effects.

The tax code should also promote parity among business structures. Small businesses organized as pass-through entities should not be subjected to higher tax rates than corporations. H.R. 5076, the Main Street Fairness Act, was introduced by Rep. Vern Buchanan of Florida and would require that any qualified business income for a pass-through organization be taxed at the corporate tax rate. This approach appears to be a fair, commonsense solution to address the rate disparity between the individual and corporate tax codes for business income.

I am also a proud cosponsor of H.R. 3161, the Timber Revitalization and Economic Enhancement (TREE) Act, which was introduced by my predecessor, Rep. Tim Griffin of Arkansas, in the 113th Congress, and by Chairman Boustany this Congress. The TREE Act would restore capital gains treatment for profits from timber sales by corporations to restoring rough parity with the tax treatment of timber sales by individuals. The PATH Act extended treatment of qualified timber capital gain tax treatment through 2017, but the TREE Act would make this treatment permanent, providing certainty to American forestry corporations.

On March 22, 2016, I introduced H.R. 4831, which would amend the tax code to make it easier for S corporations to raise capital through Regulation A and crowdfunding. As you know, the 2012 JOBS Act made it easier for small businesses to raise capital by expanding Regulation A and through crowdfunding, allowing companies to more easily raise relatively small amounts of capital from a number of investors. However, restrictions placed on S corporations—most notably the 100-shareholder limitation—may hinder their ability to take advantage of these new avenues to raise capital. Though S corporations are not as popular today with the advent of the limited liability company, there are still 4.2 million S corporations, which are mainly small businesses, and these businesses should have access to these new and efficient methods of raising capital despite how they are structured. H.R. 4831 would remove this impediment to capital formation for small S corporations by making an exception the 100-shareholder limitation if the shares were acquired through certain crowdfunding or small public offerings.

In addition, the tax code should incentivize personal savings, and consumer-directed savings provisions should be enhanced and expanded upon, rather than restricted. As a former banker, I set up many Section 529 plans and have seen their usefulness in helping Americans save for college expenses. Expanding the use of health savings accounts encourages and empowers individuals to take control of and responsibility for their health care, which could help address rapidly rising health care costs in America. Individual retirement accounts and 401(k)s should also be expanded to help hardworking Americans save for retirement.

Thank you for the opportunity to highlight these important issues, and I look forward to working with you as the House moves forward on tax reform.

Sincerely,

French Hill
Member of Congress

Congress of the United States
Washington, DC 20515

April 15, 2015

John Boehner
Speaker of the House
H-232, U.S. Capitol Building
Washington, DC 20515

Nancy Pelosi
Democratic Leader
H-204, U.S. Capitol Building
Washington, DC 20515

Dear Speaker Boehner and Leader Pelosi:

We are writing to express serious concerns regarding proposals to eliminate or cap the deduction on tax-exempt municipal bonds in the President's Fiscal Year 2016 Budget Proposal.

For more than a century, municipal bonds have enjoyed tax-exempt status and have been the primary method by which state governments and local municipalities finance public capital improvements and infrastructure construction. These projects are engines of job creation and economic growth, and it is imperative that their tax-exempt status remain unchanged.

Over the last decade, municipal bonds have funded more than $1.9 trillion worth of infrastructure construction. This financing went to the construction of schools, hospitals, airports, affordable housing, water and sewer facilities, public power utilities, roads and public transit. In 2013 alone, more than 11,000 tax-exempt bonds financed more than $330 billion in infrastructure spending.

As you have stated before, now is the time to invest in America. Yet, the President's Fiscal Year 2016 Budget Proposal recently submitted to Congress proposed capping the tax deduction for municipal bonds at 28 percent. Eliminating or capping the current deduction on municipal bonds would severely curtail state and local governments' ability to invest in themselves. It would increase borrowing costs to public entities and shift costs to local residents through tax or rate increases.

Moreover, eliminating or capping the current deduction on municipal bonds would slow the growth of job-creating infrastructure projects. In these tenuous economic times, it would be irresponsible to jeopardize funding for the dedicated citizens who work in these important facilities such as teachers, firefighters, police officers, hospital workers and librarians as well as the construction workers who build them.

As the discussion on various budget proposals continues and the national discussion on comprehensive tax reform begins, it is our hope that you will reject proposals to alter the tax-exempt status of municipal bonds. While we agree that we must reduce government spending and our country's unsustainable debt, we should not be eliminating a vital tool for job growth and economic development. Thank you for your time and attention to this important national matter.

Sincerely,

C.A. Dutch Ruppersberger Member of Congress	Randy Hultgren Member of Congress
Ralph Lee Abraham Member of Congress	Pete Aguilar Member of Congress
Mark E. Amodei Member of Congress	Brian Babin Member of Congress
Andy Barr Member of Congress	Dan Benishek Member of Congress
Ami Bera Member of Congress	Rob Bishop Member of Congress
Suzanne Bonamici Member of Congress	Mo Brooks Member of Congress

Corrine Brown
Member of Congress

Julia Brownley
Member of Congress

Cheri Bustos
Member of Congress

Bradley Byrne
Member of Congress

Lois Capps
Member of Congress

Tony Cardenas
Member of Congress

Earl L. Carter
Member of Congress

John R. Carter
Member of Congress

Kathy Castor
Member of Congress

Jason Chaffetz
Member of Congress

Mike Coffman
Member of Congress

Tom Cole
Member of Congress

Barbara Comstock
Member of Congress

Gerald E. Connolly
Member of Congress

Jim Costa
Member of Congress

Ander Crenshaw
Member of Congress

Henry Cuellar
Member of Congress

John A. Culberson
Member of Congress

Carlos Curbelo
Member of Congress

Rodney Davis
Member of Congress

Peter A. DeFazio
Member of Congress

John K. Delaney
Member of Congress

Suzan K. DelBene
Member of Congress

Jeff Denham
Member of Congress

Charles W. Dent
Member of Congress

Theodore E. Deutch
Member of Congress

Mario Diaz-Balart
Member of Congress

Lloyd Doggett
Member of Congress

Robert J. Dold
Member of Congress

Tammy Duckworth
Member of Congress

Sean P. Duffy
Member of Congress

Keith Ellison
Member of Congress

Sam Farr
Member of Congress

Chaka Fattah
Member of Congress

Stephen Lee Fincher
Member of Congress

Lois Frankel
Member of Congress

Trent Franks
Member of Congress

Ruben Gallego
Member of Congress

John Garamendi
Member of Congress

Bob Gibbs
Member of Congress

Paul A. Gosar
Member of Congress

Brett Guthrie
Member of Congress

Richard L. Hanna
Member of Congress

Crescent Hardy
Member of Congress

Alcee L. Hastings
Member of Congress

Denny Heck
Member of Congress

Joseph J. Heck
Member of Congress

Michael M. Honda
Member of Congress

Jared Huffman
Member of Congress

David W. Jolly
Member of Congress

Walter B. Jones
Member of Congress

David P. Joyce
Member of Congress

John Katko
Member of Congress

Derek Kilmer
Member of Congress

Peter T. King
Member of Congress

Steve King
Member of Congress

Ann Kirkpatrick
Member of Congress

Rick Larsen
Member of Congress

Barbara Lee
Member of Congress

Ted Lieu
Member of Congress

Zoe Lofgren
Member of Congress

Michelle Grisham Luján
Member of Congress

Sean Patrick Maloney
Member of Congress

Betty McCollum
Member of Congress

James P. McGovern
Member of Congress

Jeff Miller
Member of Congress

Patrick Murphy
Member of Congress

Dan Newhouse
Member of Congress

Richard B. Nugent
Member of Congress

Alan S. Lowenthal
Member of Congress

Ben Ray Luján
Member of Congress

Doris O. Matsui
Member of Congress

Jim McDermott
Member of Congress

Luke Messer
Member of Congress

Gwen Moore
Member of Congress

Grace F. Napolitano
Member of Congress

Eleanor Holmes Norton
Member of Congress

Bruce Poliquin
Member of Congress

Bill Posey
Member of Congress

Phil Roe
Member of Congress

Ileana Ros-Lehtinen
Member of Congress

David Rouzer
Member of Congress

Matt Salmon
Member of Congress

Terri A. Sewell
Member of Congress

Kyrsten Sinema
Member of Congress

Steve Stivers
Member of Congress

Mark Takano
Member of Congress

Kathleen M. Rice
Member of Congress

Mike Rogers
Member of Congress

Dennis A. Ross
Member of Congress

Tim Ryan
Member of Congress

Adam B. Schiff
Member of Congress

Brad Sherman
Member of Congress

Lamar Smith
Member of Congress

Eric Swalwell
Member of Congress

Scott R. Tipton
Member of Congress

David A. Trott
Member of Congress

Chris Van Hollen
Member of Congress

Robert J. Wittman
Member of Congress

John A. Yarmuth
Member of Congress

David Young
Member of Congress

Earl Blumenauer
Member of Congress

Maxine Waters
Member of Congress

Ryan Zinke
Member of Congress

Dan Lipinski
Member of Congress

David G. Valadao
Member of Congress

Frederica S. Wilson
Member of Congress

Steve Womack
Member of Congress

Ted S. Yoho
Member of Congress

Lee M. Zeldin
Member of Congress

Judy Chu
Member of Congress

David Loebsack
Member of Congress

RANDY HULTGREN
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100 WEST MAIN
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Congress of the United States
House of Representatives
Washington, DC 20515–1314

June 28, 2013

John Boehner
Speaker of the House
The Capitol
Washington DC 20515

Nancy Pelosi
Democratic Leader
The Capitol
Washington, DC 20515

Dear Speaker Boehner and Leader Pelosi:

We are writing to express serious concerns regarding proposals to eliminate or cap the deduction on tax-exempt municipal bonds in the Fiscal Year 2014 Budget Proposal.

For more than a century, municipal bonds have enjoyed tax-exempt status and have been the primary method by which state governments and local municipalities finance public capital improvements and infrastructure construction. These projects are engines of job creation and economic growth, and it is imperative that their tax-exempt status remain unchanged.

Over the last decade, municipal bonds have funded more than $1.9 trillion worth of infrastructure construction. This financing went to the construction of schools, hospitals, airports, affordable housing, water and sewer facilities, public power utilities, roads, and public transit. In 2012 alone, more than 6,600 tax-exempt bonds financed more than $179 billion in infrastructure spending.

As you have stated before, now is the time to invest in America. Yet, the President's Fiscal Year 2014 Budget Proposal recently submitted to Congress proposed capping the tax deduction for municipal bonds at 28 percent. Eliminating or capping the current deduction on municipal bonds would severely curtail state and local governments' ability to invest in themselves. It would increase borrowing costs to public entities and shift costs to local residents through tax or rate increases.

Moreover, eliminating or capping the current deduction on municipal bonds would slow the growth of job-creating infrastructure projects. In these tenuous economic times, it would be irresponsible to jeopardize funding for the dedicated citizens who work in these important facilities such as teachers, firefighters, police officers, hospital workers and librarians as well as the construction workers who build them.

As the discussion on various budget proposals continues and the national discussion on comprehensive tax reform begins, it is our hope that you will reject proposals to alter the tax-exempt status of municipal bonds. While we agree that we must reduce government spending and our country's unsustainable debt, we should not be eliminating a vital tool for job growth and economic development. Thank you for your time and attention to this important national matter.

Sincerely,

Dutch Ruppersberger Member of Congress	Randy Hultgren Member of Congress
Michele Bachmann Member of Congress	Paul Tonko Member of Congress
Henry Waxman Member of Congress	Walter B. Jones Member of Congress
Alan Lowenthal Member of Congress	Jim Matheson Member of Congress
Jason Chaffetz Member of Congress	Lois Frankel Member of Congress

Suzanne Bonamici
Member of Congress

Eliot Engel
Member of Congress

Doris Matsui
Member of Congress

James McGovern
Member of Congress

Elijah Cummings
Member of Congress

Brad Sherman
Member of Congress

Joaquin Castro
Member of Congress

Brett Guthrie
Member of Congress

Howard Coble
Member of Congress

Dennis Ross
Member of Congress

Keith Ellison
Member of Congress

Gloria Negrete McLeod
Member of Congress

Jeff Miller
Member of Congress

André Carson
Member of Congress

Elizabeth Esty
Member of Congress

Randy Weber
Member of Congress

David Price
Member of Congress

Marc Veasey
Member of Congress

Gregory Meeks
Member of Congress

Mike Coffman
Member of Congress

Matt Salmon
Member of Congress

Duncan Hunter
Member of Congress

Brad Schneider
Member of Congress

Dan Benishek
Member of Congress

Rob Wittman
Member of Congress

Lou Barletta
Member of Congress

Mike Rogers
Member of Congress

Gwen Moore
Member of Congress

Hank Johnson
Member of Congress

Carolyn Maloney
Member of Congress

John Conyers
Member of Congress

Albio Sires
Member of Congress

Mike Michaud
Member of Congress

Pete Gallego
Member of Congress

Derek Kilmer
Member of Congress

Ann McLane Kuster
Member of Congress

Alcee Hastings
Member of Congress

Patrick Murphy
Member of Congress

Scott Peters
Member of Congress

Adam Schiff
Member of Congress

Bill Pascrell
Member of Congress

G.K. Butterfield
Member of Congress

Michael Grimm
Member of Congress

Carol Shea-Porter
Member of Congress

David Joyce
Member of Congress

Eleanor Holmes Norton
Member of Congress

Ami Bera
Member of Congress

Linda Sánchez
Member of Congress

Chris Stewart
Member of Congress

Earl Blumenauer
Member of Congress

Andy Barr
Member of Congress

Cedric Richmond
Member of Congress

Mike Honda
Member of Congress

Rick Larsen
Member of Congress

Gary Miller
Member of Congress

Cheri Bustos
Member of Congress

Jim McDermott
Member of Congress

Corrine Brown
Member of Congress

Emanuel Cleaver, II
Member of Congress

Betty McCollum
Member of Congress

Chaka Fattah
Member of Congress

Tim Ryan
Member of Congress

Markwayne Mullin
Member of Congress

William Enyart
Member of Congress

Steve Stivers
Member of Congress

Dave Loebsack
Member of Congress

Paul Gosar
Member of Congress

David Scott
Member of Congress

Bill Johnson
Member of Congress

Jan Schakowsky
Member of Congress

Tim Bishop
Member of Congress

Ted Deutch
Member of Congress

Frederica Wilson
Member of Congress

Kyrsten Sinema
Member of Congress

Donna Edwards
Member of Congress

Steven Horsford
Member of Congress

Kevin Cramer
Member of Congress

Mark Takano
Member of Congress

Lois Capps
Member of Congress

Joe Garcia
Member of Congress

Mario Díaz-Balart
Member of Congress

Matthew Cartwright
Member of Congress

Judy Chu
Member of Congress

Ron Kind
Member of Congress

Bill Posey
Member of Congress

Rick Nolan
Member of Congress

Billy Long
Member of Congress

Julia Brownley
Member of Congress

Tim Walz
Member of Congress

Tammy Duckworth
Member of Congress

Eric Swalwell
Member of Congress

Suzan DelBene
Member of Congress

Dina Titus
Member of Congress

Bob Latta
Member of Congress

Cory Gardner
Member of Congress

Terri Sewell
Member of Congress

Steve Pearce
Member of Congress

Tony Cardenas
Member of Congress

Jim Costa
Member of Congress

Marcy Kaptur
Member of Congress

Raul Ruiz
Member of Congress

Jeff Denham
Member of Congress

Lee Terry
Member of Congress

Gary Peters
Member of Congress

Rodney Alexander
Member of Congress

Bob Gibbs
Member of Congress

Bill Foster
Member of Congress

Jerry McNerney
Member of Congress

Spencer Bachus
Member of Congress

Luke Messer
Member of Congress

Colleen Hanabusa
Member of Congress

Carolyn McCarthy
Member of Congress

Ann Kirkpatrick
Member of Congress

John Duncan
Member of Congress

Trey Radel
Member of Congress

Rob Bishop
Member of Congress

Pete King
Member of Congress

Dan Kildee
Member of Congress

Jo Bonner
Member of Congress

Kerry L. Bentivolio

Kerry Bentivolio
Member of Congress

Gerry Connolly
Member of Congress

Collin Peterson
Member of Congress

John Delaney
Member of Congress

Beto O'Rourke.

Beto O'Rourke
Member of Congress

David N. Cicilline

David Valadao
Member of Congress

David Cicilline
Member of Congress

Jim Langevin
Member of Congress

Mike McIntyre
Member of Congress

Denny Heck
Member of Congress

Examples of Tax-Exempt Municipal Bond Issuances
Louisiana 3rd Congressional District

Issuer: Economic Development District No.1 of the Parish of Iberia, Louisiana
Amount: $9,960,000
Issue Date: January 22, 2014
Purpose: The Bonds are being issued for the purpose of (1) paying the costs of various capital improvements within the Issuer; and (ii) paying the costs of issuance of the bonds.

Cost of Financing: Estimated Issuance Amount With 28-percent Cap: $11,254,800.

Source: Official Statement. http://emma.msrb.org/EA580340-EA453069-EA848884.pdf

Issuer: St. Martin Parish School District
Amount: $11,675,000
Issue Date: September 24, 2015
Purpose: The Bonds are being issued for the purpose of (i) acquiring and/or improving lands for building sites and playgrounds, including construction of necessary sidewalks and streets adjacent thereto; purchasing, erecting and/or improving school buildings and other school related facilities within and for the Issuer, and acquiring the necessary equipment and furnishings therefor, and specifically for those projects in the "Capital Improvement Plan: and approved by the School Board prior to the election, title to which shall be in the public, and (ii) paying the costs of the issuance of the Bonds.

Cost of Financing: Estimated Issuance Amount With 28-percent Cap: $13,192,750.

Source: Official Statement. http://emma.msrb.org/ER911913-ER712448-ER1113929.pdf

Examples of Tax-Exempt Municipal Bond Issuances
Massachusetts 1st Congressional District

Issuer: City of Pittsfield
Amount: $5,881,000
Issue Date: January 28, 2016
Purpose: This issuance was used to fund 14 separate projects, including: upgrading a wireless wide area network; parking garage improvements; asbestos abatement in schools; school renovations; floor replacement in a fire station; street improvement; wastewater treatment plant improvements; water storage tank improvements

Cost of Financing: Estimated Issuance Amount With 28-percent Cap: $6,645,530.

Source: Official Statement. http://emma.msrb.org/EP911050-EP706381-EP1108310.pdf

Issuer: City of Springfield
Amount: $50,543,000
Issue Date: February 5, 2015
Purpose: This issuance was used to fund 22 separate projects, including: school renovation; landfill closure; improvements to a high school science lab; road improvements; library design and construction; city hall HVAC improvements; land acquisition and remediation.

Cost of Financing: Estimated Issuance Amount With 28-percent Cap: $57,113,590.

Source: Official Statement. http://emma.msrb.org/ER837291-ER653300-ER1055107.pdf

Statement for the Record

Member Proposals for Improvements to the U.S. Tax System

House Committee on Ways and Means
Subcommittee on Tax Policy

The Honorable Randy Hultgren (IL-14)
Member of Congress

May 12, 2016

Chairman Boustany and Ranking Member Neal, thank you for providing the opportunity to testify before the Tax Policy Subcommittee. As you know, our tax code reaches into every sector of our economy and into every home across America. Since Congress took on the challenge of comprehensive tax reform in the late 1980's, their work has slowly been undone by special interests that are more focused on making the tax code work for them than the everyday American without the resources to lobby Congress for preferential treatment.

Fair, representative government requires equal access for all. I support having a tax-system that allows for everyone to keep as much of their hard-earned money as possible. But not everyone has the resources to hire an army of lawyers to navigate the tax system and achieve the lowest effective rate.

Americans and their representatives in Congress agree: it's time to simplify the tax code. It naturally follows that we should analyze how that simplification will affect the country.

Importance of Municipal Tax Exemption

Here's one item that I think is working: the current tax-exempt status provided to municipal securities. This is why I recently partnered with Congressman Ruppersberger to create the Municipal Finance Caucus.

While serving in local government in Illinois, I saw firsthand the benefits provided by this reliable option for financing community development. I am talking about the roads we drive on, schools for our children, affordable family housing, water systems that supply safe drinking water, hospitals and clinics to treat the sick, airports and ports that help move products domestically and overseas, and utility plants that power our homes, businesses, and factories.

In 2013, a study published by local government groups calculated the differential in issuance costs if a 28-percent cap was placed on the value of the tax exemption for municipal bonds, as proposed by recent budget proposal from President Obama[1]. In short, if the tax exemption is eliminated or capped, then it is more costly to issue debt. These costs are real.

---

[1] Protecting Bonds to Save Infrastructure and Jobs 2013. Issue brief. The National Association of Counties, the National League of Cities, and the United States Conference of Mayors, Feb. 2013. Web.

Will County in my district is depending on Congress to maintain the current tax-exempt status so it can build a new courthouse and law enforcement complex.

The annual interest payments for the debt held by the City of St. Charles in Kane County currently exceed $3 million. With the tax exemption, they save more than $800,000 given a 25 percent interest savings. Paying this additional interest would equal a two percent reduction in their General Fund budget. In 2011, the City built the Red Gate Bridge over the Fox River. Without the tax exemption, they would pay an additional $619,000 in interest costs.

This is real money that makes a real difference.

The ability for states and local governments to issue tax-exempt debt is now more important than ever given some of the disagreement in Washington on how to strengthen our infrastructure. We should be doing everything we can to empower decision making on the local level. Decisions made by local communities handling local problems tend to be more efficient than one-size-fits-all policies from Washington.

I like to think of this as “fiscal federalism.” And our colleagues agree.

Last year, Congressman Ruppersberger and I were joined by 122 of our colleagues – Republicans and Democrats – in a letter to House leadership asking they not eliminate or cap the deduction for tax-exempt municipal bonds.[2] A letter in the previous Congress manifested similar support.[3]

Mr. Chairman, in your district, the St. Martin Parish School District issued bonds last year to build new schools and improve existing ones. The issuance was $9,960,000, but if the tax exemption was capped, then the issuance would cost the Parish more than $1,200,000 more[4]. Ranking Member Neal, the City of Springfield, Massachusetts, recently completed an issuance used to fund 22 separate projects including school renovations, road improvement, and HVAC

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[2] Appendix A. Hultgren, Randy, and Dutch E. Ruppersberger. "Regarding Proposals to Eliminate or Cap the Deduction on Tax-Exempt Municipal Bonds in FY 2014 Budget Proposal." Letter to Speaker Boehner and Leader Pelosi. 28 June 2013.

[3] Appendix B. Hultgren, Randy, and Dutch E. Ruppersberger. "Regarding Proposals to Eliminate or Cap the Deduction on Tax-Exempt Municipal Bonds in FY 2016 Budget Proposal." Letter to Speaker Boehner and Leader Pelosi. 15 April 2015.

[4] Appendix C. Examples of Tax-Exempt Municipal Bond Issuances – Louisiana 3rd Congressional District.

work in City Hall. The issuance would have cost the City and its taxpayers almost another $7 million.[5]

The U.S. municipal securities market is now a robust $3.7 trillion. Unfortunately, the media likes negative stories; it's frustrating to see breathless articles on the latest debt collapse. Certainly we need to make sure debt is being issued and managed responsibly. But there are literally thousands of successful infrastructure projects across our great country—we must keep telling their stories.

We should also be thinking of ways that state and local governments can partner with the private sector to support job growth.

HR 2890, Modernizing American Manufacturing Bonds Act

This is why I worked with Ranking Member Neal to introduce the Modernizing American Manufacturing Bonds Act, or "MAMBA." This legislation, supported by the Council of Development Agencies and hundreds of economic development agencies throughout the country, would update nearly 30 year-old limitations on the issuance of manufacturing bonds. These changes will help struggling manufacturers expand their businesses, invest in new equipment and facilities, and most importantly, hire more workers.

In short, MAMBA expands the number of eligible projects using Qualified Small Issue Manufacturing Bonds, more commonly known as Industrial Development Bonds or manufacturing bonds, to better reflect today's manufacturing sector and to allow small and mid-sized American manufacturers to more effectively compete in the global economy.

In the 14th Congressional District, where my constituents depend on manufacturing jobs, MAMBA would make a real difference. There, manufacturing facilities employ more than 27,000 workers. For example, Bison Gear is a family-owned company in St. Charles that uses manufacturing bonds to access low-cost capital to help them compete in the global economy.

The bill expands the number of eligible projects using manufacturing bonds to better reflect today's manufacturing sector:

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[5] Appendix D. Examples of Tax-Exempt Municipal Bond Issuances – Massachusetts 1st Congressional District.

- It expands the definition of manufacturing facilities to include those that manufacture, process, or produce intangible property like software, patents and similar intellectual property, giving the high-tech manufacturing sector access to manufacturing bonds;
- It removes the “functionally related and subordinate facility” restriction, reducing the complexity involved in financing projects and letting manufacturers better develop projects that align the company with modern business practices;
- It increases the manufacturing bond size limitation from $10 million to $30 million, which is simply an adjustment for inflation; and,
- It increases manufacturing bonds’ 6-year capital expenditure limitation from $20 million to $40 million, helping manufacturers better plan for long-term expansion.

This is just one of the municipal financing bills I support.

H.R. 2229, Municipal Bonds Market Support Act
I am also an original cosponsor of H.R. 2229, the Municipal Bond Market Support Act of 2015, which amends the Internal Revenue Code provisions relating to the small issuer exemption from interest expense allocation rules for financial institutions, to:

- Permanently increase from $10 million to $30 million the annual limit on the amount of tax-exempt obligations that a small issuer may issue; and,
- Allow an inflation adjustment to such increased limit amount after 2015.

The $10 million limited was created in the *Tax Reform Act 1986,* but does not reflect today’s market due to inflation that has occurred over the last 30 years.

We should expand this Main Street financing tool for municipalities intimately connected to the needs of their communities. If passed, for example, the bill would help a school investing in an infrastructure project in the range of $30 million save nearly $4 million in interest costs.

Bring Small Businesses Back Tax Reform Act
I will also soon be introducing a bill that reduces tax and administrative burdens on America’s pass-through businesses.

The bill reduces to 10 percent the tax on pass-through businesses' first $150,000 of revenue and taxes their first $1 million at a rate of 20 percent. These new rates would reduce the federal tax burden on all S Corporations and pass-through businesses.

The bill also changes expensing rules by allowing all pass-through businesses (regardless of size) to deduct the cost of all investment equipment.

Finally, this legislation opens the door to simplified cash accounting for all businesses with gross receipts less than $25 million:

- All businesses under this revenue cap would be able to compute their taxes without using any special accounting rules for any items of income or payments.
- As a result, these businesses would no longer need to establish inventory accounts, and all materials, supplies, and equipment would be deducted at the point of purchase.

Closing

In closing, I would like to thank the Committee for providing me the opportunity to provide testimony that will contribute to a tax code that works for all Americans. I look forward to working with the Committee to advance HR 2890, Modernizing American Manufacturing Bonds Act; H.R. 2229, the Municipal Bonds Market Support Act; and, the Bring Small Businesses Back Tax Reform Act.

Tax Policy Subcommittee Hearing on Member Tax Proposals:

For The Record - Congresswoman Lynn Jenkins

I would like to note that I am cosponsor of the following bills, and emphasize my support for them:

- H.R. 2903 - the Craft Beverage Modernization and Tax Reform Act, sponsored by Rep. Paulsen
- H.R. 3846 - the Historic Tax Credit Improvement Act, sponsored by Rep. Mike Kelly

In addition, I am supportive of a provision that has been in the Internal Revenue Code (Section 451(i)) which permits taxpayers to elect to recognize gain from qualifying electric transmission transactions ratably over an eight-year period beginning in the year of sale if the amount realized from such sale is used to purchase exempt utility property within a specific period. This provision was originally enacted in 2004 on a temporary basis, but has been extended by Congress several times. There is a continued need for the provision and I request that it be extended permanently as occurred for numerous other expiring tax provisions last year.

Written Testimony of Kenny E. Marchant
Congressman, 24^{th} District of Texas
For the Record before the House Ways and Means Committee
Subcommittee on Tax Policy

May 12, 2016

Chairman Boustany, Ranking Member Neal, and members of the Subcommittee. Thank you for holding this Member Day hearing and for allowing me to testify on the Capital Access for Small Business Banks Act – H.R. 2789 – and the Community Bank Flexibility Act – H.R. 3287.

I introduced these bills to provide community banks with greater flexibility to raise capital so they can better serve the financial needs of local families and small businesses.

Community banks are vital to a strong American economy. These local lenders provide invaluable support to working families. They have helped countless entrepreneurs put their ideas into motion. And, when times are rough for small businesses, the services provided by community banks can be the difference between staying in business and closing your doors for good.

Presently, community banks themselves are seeing challenging times. An ever-growing regulatory regime with large financial institutions in its crosshairs has indiscriminately placed punishing constraints on small local lenders as well, limiting growth. As a result, many are finding it difficult to keep up and provide the services that their communities rely on. And when a small bank struggles, the entire community it supports can fall on hard times.

H.R. 2789 and H.R. 3287 would offer community banks additional avenues to raise capital, without injecting additional risk into the broader financial system. As a result, these bills would bring renewed strength to local banks, the communities they serve, and the American economy as a whole.

H.R. 2789, the Capital Access for Small Business Banks Act, would offer small banks – specifically, Subchapter S banks – several new ways to raise capital.

First, this bill would allow Subchapter S banks to take on more investors by raising the limit on the number of common stock shareholders from 100 to 500.

Second, small banks would have the ability to issue preferred stock, which they presently are not allowed to do.

In terms of tax treatment, this bill would allow preferred stock dividends to be tax deductible to the bank and count as income for its shareholders. This would preserve the sound pass-through treatment of these S Corp banks, which are small, local, businesses themselves.

Another way to provide community banks with greater freedom to raise capital would be to allow them to organize as Limited Liability Companies (LLCs). This is the approach taken by H.R. 3287, the Community Bank Flexibility Act.

LLCs are a popular and successful form of business organization, available to nearly all sectors of the economy. They offer flexibility and growth potential within a circle of ownership that is smaller than a large C corporation. Banks are prohibited, however, from accessing this form by the IRS, which has used outdated notions in applying statutes that predated the existence of LLCs and other innovative structures.

H.R. 3287 would allow banks to organize as LLCs for tax purposes. This would be especially beneficial to smaller banks looking for new ways in which to grow in capital and membership. A five-year window would clear a transition path, while a built-in gains recognition period would prevent its misuse.

This legislation would not disrupt the banking regulations on which the stability of our financial system depends. The Federal Deposit Insurance Corporation (FDIC), in fact, acknowledged in a 2003 rule that it could work with banks taking on an LLC form on the regulatory side if the IRS could allow it on the tax side.

Across Texas and the United States, small banks are stuck in organizational forms that no longer work for them – squeezed by regulatory and capital pressures but capped with stifling shareholder limits. Taken individually or together, the Capital Access for Small Business Banks Act and the Community Bank Flexibility Act would provide the growing space needed for local banks to help small businesses and their communities thrive – bringing renewed power to our nation's economic engine.

Mr. Chairman, Ranking Member Neal, and subcommittee members, thank you for the opportunity to testify. and look forward to working with you on legislation to make our tax code more favorable to economic growth for American businesses and working families.

Congressman Bill Pascrell, Jr.

Ways and Means Committee, Subcommittee on Tax Policy: Member Day

Statement for the Record

Mr. Chairman, thank you for the opportunity to talk about my priorities for tax reform. While I have several tax priorities, I would like to highlight a few today.

I'd like to bring your attention to **H.R. 499, the *Sustainable Water Infrastructure Investment Act of 2015***.

Cities, towns and utilities across the Country are facing a major challenge in replacing their aging and worn-out water infrastructure. The Congressional Budget Office, Environmental Protection Agency and others have estimated that it will take $500 billion to replace and upgrade our water and wastewater infrastructure over the next 20 years.

With constraints on our budget, states and local governments can no longer rely on the federal government to fund their projects through grants and loans. It is clear that the private-sector must take on a larger role in the financing of our water systems.

Private Activity Bonds (PAB) are the best method of pumping billions of dollars of private capital into public water infrastructure projects, while shifting the economic risk away from the municipality and towards the private sector. PABs have already proven to be an important mechanism for municipalities to finance projects such as airports and solid-waste sites.

To that end, the bipartisan Sustainable Water Infrastructure Investment Act of 2015 will provide parity for waste water and water infrastructure projects funded with PABs by uncapping the amount that municipalities can issue. This access to new private capital will aid municipalities in the challenge to replace and upgrade water infrastructure.

Depending on the specific project, bringing water projects out from under the PAB state volume cap will shift financial risk to the private sector; make more readily available financing to help all utilities meet the infrastructure replacement challenge; result in lower project financing, helping to control water rates; have no adverse effect on a municipality's tax-exempt bond rating, freeing up traditional tax-exempt municipal bonds for other uses; and facilitate more multi-year water projects.

I would like also to describe the common-sense, bipartisan proposal that I have cosponsored with Representative Noem of South Dakota, **H.R. 5240, the *Biodiesel Tax Incentive Reform and Extension Act of 2016***.

Our bill would change the tax incentive for biodiesel, renewable diesel, and renewable aviation fuel from a blender's credit to a domestic producer's credit. This simple reform would not only reduce the cost of the incentive but would yield numerous public policy benefits, foremost of which is focusing the incentive on stimulating American production and jobs, which I think we all would agree is the primary goal of smart tax policy.

This proposal would end what I call the “import loophole” -- a growing loophole under which foreign-made biodiesel and renewable diesel is increasingly imported to the U.S. and blended here to access the U.S. tax incentive. Last year alone, we saw more than 600 million gallons of biodiesel imported to the U.S. that displaced domestic biodiesel and renewable diesel production. That translates to thousands of domestic jobs. When the tax incentive was created just a few years ago, it was never intended to incentivize foreign production and foreign workers.

Under our proposal, the biodiesel tax incentive would be available only for fuel produced in the U.S., in the same way that our electricity tax incentives and other manufacturing incentives are only available for domestic production.

By closing this import loophole, we would reduce the cost of this incentive by an estimated $90 million, according to the Joint Committee.

I don’t think any of us would stand up here to promote a tax credit for foreign manufacturing, yet we are allowing that to happen under this loophole.

I urge you to support this important reform, and thank you for the opportunity to tell you about this important proposal.

Lastly, I would like to draw your attention to **H.R. 3846, the *Historic Tax Credit Improvement Act***, of which I am a cosponsor.

The Historic Tax Credit was put into the Tax Code in 1986, but it hasn’t been modified since. The reforms in this bill reforms would be the first major changes to the Historic Tax Credit (HTC) since the Tax Reform Act of 1986.

The Historic Tax Credit Improvement Act makes long overdue changes to the Historic Tax Credit (Section § 47 in the tax code) to further encourage building reuse and redevelopment in small, midsize, and rural communities.

It also makes the rehabilitation of community projects like theaters, libraries, and schools easier while maximizing the impact of state historic tax credits.

Finally, the bill would make more historic properties eligible to use the credit by updating program requirements to reflect current industry practices.

Specifically, the legislation would increase the historic tax credit (HTC) for certain small projects. It provides a boost in the Historic Tax Credit from 20% to 30% of qualified expenditures for "small projects. This would encourage more development in rural areas.

It would also allow credit transfers for certain small projects, increase the type of buildings eligible for rehabilitation, reduce depreciable basis adjustment for rehabilitation property, change how the federal government taxes state HTC proceeds, modify certain tax-exempt use property rules, and eliminate the concept of functionally-related buildings.

Thank you for your consideration. I look forward to working with the committee to advance bipartisan, common-sense proposals which can foster job creation and rebuild our infrastructure.

Congressman Erik Paulsen (MN-03)
Statement for the Record
Committee on Ways and Means
Subcommittee on Tax Policy
Hearing on Member Proposals for Improvements to the U.S. Tax System
May 12, 2016

In addition to my oral testimony regarding H.R. 2903, the Craft Beverage Modernization and Tax Reform Act, I would also like to highlight the other tax bills I have introduced this Congress:

- H.R. 2483, the Independent Contractor Tax Fairness and Simplification Act;
- H.R. 4016, legislation to extend the limitation on the carryover of excess corporate charitable contributions;
- H.R. 4706, the Interest for Others Act; and
- H.R. 5184, legislation to expand rules related to investment by nonresident aliens in domestic mutual funds and business development companies.

These bills will provide much-needed tax relief and certainty for my constituents in Minnesota and taxpayers across the country. I urge the Committee to consider and pass them as soon as possible.

TED POE Ways and Means Testimony on H.R. 2883 The Master Limited Partnership Parity Act

I would like to thank Chairman Brady for allowing me to testify here today. I am here to discuss H.R. 2883, The Master Limited Partnership Parity Act. This is a unique bill, especially for a tax bill, in that it is completely bipartisan, and has very little opposition. In the House, I introduced the bill with 3 other republicans and four democrats as original cosponsors. I would especially like to thank Rep. Mike Thompson, who sits on this committee, who is the lead democrat on the bill, as well as Senator Coons who has been a leader in the Senate on the bill.

This piece of legislation should represent hope for an ideologically divided Congress that we can work together and actually pass something that could go a long way to encourage the production of energy domestically in the United States.

H.R. 2883 The Master Limited Partnerships Parity Act is a simple bill. It expands the MLP tax structure to include virtually all forms of renewable, domestically produced energy. Right now, MLP's are a successful tax structure that is used by many traditional oil and gas companies. This structure has been very successful for US companies such as Enterprise which is based in Houston. The structure has allowed these capitol hungry companies attract the investments they needed to grow, investments that they may otherwise not have gotten without the structure.

The Master Limited Partnerships Parity Act would allow clean energy projects to utilize MLPs, a beneficial tax structure that taxes a project like a partnership — a pass through — but that trades its interests like a corporate stock, a C-corp. This allows access to the liquidity of equity markets, prevents double taxation, and leaves more cash available for distribution back to investors. For the last 30 years, MLPs have given the natural gas, oil, and coal industries access to private capital at a lower cost, something other capital-intensive projects badly need. There are roughly a hundred MLPs at a market cap of about $450 billion at the moment. It does not make sense to have this investment vehicle not available to renewable energy projects as well.

We need to keep in mind this is not a subsidy or tax credit. **This is a corporate tax structure.** Expanding this tax structure to include renewable domestically produced energy makes sense for the industry, and for America. Every kilowatt of domestically produced energy is value added for the American economy and one step closer to American energy independence. Expanding this structure also helps traditional oil and gas MLP's. Some in Washington have unwisely suggested that we should eliminate the MLP tax structure for oil and gas companies. They argue that it is a benefit that is only available to traditional oil and gas therefore it should be eliminated. This philosophy is dead wrong. We need more domestic energy, not less. This is another reason why we need to expand MLP's to all domestic produced energy. This makes it harder for the structure as a whole to be targeted.

Considering all of this, it should come as no surprise that the MLP Parity Act has little or no opposition. It makes sense for the energy industry, it makes sense for American energy independence, and it makes sense as a beneficial way to use the tax code to spur the production of clean domestically produced renewable energy. I urge this committee to give this bipartisan, common sense, bill its full attention, and I am happy to answer any questions anyone has here today.

TED POE Statement on H.R. 5185

In a hearing I held last month as chair of the Terrorism subcommittee it was revealed that many individuals who worked for organizations that funded Hamas now work for another U.S.-based organization, American Muslims for Palestine, or AMP.

The Holy Land Foundation for Relief and Development, Kind Hearts for Charitable Humanitarian Development, and the Islamic Association for Palestine were all guilty of financing Hamas.

Now employees who worked for those organizations have moved on to AMP. AMP is the biggest supporter of the Boycott, Divestment and Sanctions movement in the US. The BDS movement seeks to delegitimize Israel through economic sanctions.

Workers associated with organizations that were implicated in terror finance are free to keep working for charities without any way for the average donor to know. Such tax-advantaged organizations are required to be transparent and my bill will help achieve this goal.

HR 5185 would amend the Internal Revenue Code so that organizations must publically disclose any charity employees or board members that were previously implicated in terror finance. It does not levy any new penalties. It is simply a transparency bill.

The US government should know if a charity is employing people who supported terrorist groups in the past before it grants a charity 501(c)(3) status with all of its tax benefits. And potential donors to charities deserve to know where their money is going.

Title:
Legislative Proposals for Improvements to the U.S. Tax System
Hon.& Member's Official Name:
Hon. Tom Price
Full Name of Congressional State:
Georgia
Current Date:
Thursday, May 26, 2016
Member's Name as it Appears in Official Record:
Mr. Price
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Mr. Chairman, today I want to bring before the Committee legislative priorities that would improve the U.S. tax code and help build the foundation for comprehensive, pro-growth tax reform.

FairTax Consideration As Committee Moves Toward Comprehensive Tax Reform

Mr. Chairman, I would like to speak in support of H.R. 25, the Fair Tax Act of 2015, introduced by my friend and delegation colleague Mr. Rob Woodall. This legislation would replace the outdated and burdensome income tax with a consumption tax.

The current system of income taxation in many ways punishes taxpayers who choose to take risk, save, or invest. The FairTax would eliminate the income tax, the estate tax, the gift tax, the capital gains tax, the alternative minimum tax, the self-employment tax, and the corporate tax. This would free up capital to be the engine of economic growth and reward savings and investment.

The FairTax would install a single rate, national sales tax on all new goods and services at the point of final purchase for consumption and provide for a universal rebate in an amount equal to the sales tax on essential goods and services up to the poverty level of spending.

This Committee has outlined principles for tax reform rooted in fairness and simplicity that does not pick winners and losers within the tax code. The FairTax achieves all of these. Under the current system, the more your income is derived from wages, the more you are affected by payroll taxes. The FairTax removes this bias. Under the FairTax there are no exceptions and there are no exclusions or loopholes. Furthermore, the simplicity of the FairTax means that tax planning is now within reach of the ordinary taxpayer, who can choose the amount and timing of federal tax payments by deciding when to make purchases.

It has been a long-standing goal of the committee to enact a simple, equitable, and efficient tax system through comprehensive tax reform. The FairTax fulfills these criteria. As this Committee continues to build a foundation for comprehensive tax reform, consideration must be given to adopting the FairTax.

Treatment of Locum Tenen Physicians as Independent Contractors

Mr. Chairman, I plan to introduce the Physician Shortage Minimization Act of 2016, legislation that would statutorily codify temporary physicians, also known as "Locum Tenens", as independent contractors in the Internal Revenue Code (IRC).

America faces unprecedented physician shortages. Studies estimate that absent changes, physician shortages could reach 90,000 doctors by 2025, and the Association of American Medical Colleges estimates that between 200,000 and 250,000 physicians will retire in the next 10 years. Locum tenens provide a critical service by helping medical facilities cover some of these shortages while keeping qualified doctors in the workforce longer.

The locum tenens industry provides an estimated one million days of physician coverage and more than 20 million patient visits annually. While these doctors have always been treated as independent contractors, they need firmer footing in statute. And while I appreciate that there have been some issues with independent contractors over the years, these temporary doctors are not the problem.

This legislation would add a new section to the Internal Revenue Code, which would statutorily define locum tenens as independent contractors. By defining these physicians as locum tenens as such, we will help ensure the delivery of care across the country. I look forward to working with the committee to move this legislation forward.

Section 199 Deduction for Manufacturers in Puerto Rico

Mr. Chairman, I plan to bring before the Committee legislation that would extend one of the expiring tax provisions that was not extended at the end of 2015 in the PATH Act. The bill is the extension of the Section 199 Manufacturers Deduction for businesses operating in Puerto Rico. This should be part of the solution to poor economic growth in Puerto Rico.

In 2004, Congress created the §199 manufacturers deduction that effectively reduces the top tax rate on manufacturing income from 35% to 32%. Through an oversight, the legislation did not include Puerto Rico as an eligible location. In 2006, Congress allowed the §199 manufacturing deduction for businesses operating in Puerto Rico that are subject to full U.S. tax. This provision made Federal tax law consistent for all manufacturers operating throughout the United States. Businesses paying taxes under the Internal Revenue Code should be treated consistently throughout the United States, regardless of the jurisdiction in which they are operating.

American manufacturers that operate in Puerto Rico in branch form are subject to full U.S. tax on the income from those operations just as if they operated in any of the 50 states. These businesses should then also be permitted to take all the normal and ordinary businesses deductions and credits. Far from being a unique benefit for Puerto Rico, this provision merely provides a consistent tax treatment for manufacturing operations under American tax law.

The §199 deduction for manufacturers operating in Puerto Rico has been extended five times since 2006 as part of the periodic "expiring tax provisions package" and it is again schedule to expire at the end of 2016. Legislation I plan to introduce would extend the deduction for manufacturers permanently, but I expect that when Congress debates tax reform this deduction will be part of that comprehensive debate.

As our colleagues in the House Natural Resources Committee debate how to restructure debt and create an oversight board for Puerto Rico, there is a growing understanding that economic growth and private sector jobs are the best means of the island to be able to pay back debt. I urge the Committee to extend this provision that is schedule to expire at the end of 2016.

Congressional Intent of IRC §45(J): The Nuclear Production Tax Credit (PTC)

Mr. Chairman, I would like to speak in support of the proposal my friend and colleague, Congressman Tom Rice, is working on with the committee to ensure that the §45(J) Nuclear PTC fully meets Congress's original intent.

The §45(J) credit was intended to offset the first-of-a-kind risk of the first 6,000 megawatts of new nuclear generating capacity built after 2005. Four new nuclear reactors are currently under construction in Georgia and South Carolina – the first new reactors built in the United States since the 1970s. Additional projects are moving through the licensing process at the Nuclear Regulatory Commission. Many of these projects are being built by partnerships that includes investor-owned companies, electric cooperatives and public power systems.

Congress can ensure the original intent of the Nuclear PTC by making the following modifications: remove the requirement in the 2005 law that new nuclear plans must be placed in service by the end of 2020; allow not-for-profit utilities to assign their allocation of credits to entities with tax obligations that are involved in the project.

Mr. Chairman, I strongly support this effort regarding the application of the production tax credit. This effort would bring needed certainty to the ratepayers of Georgia and the broader southern region. I look forward to working with Congressman Rice and the full committee in this effort. Thank you.

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Subcommittee on Tax Policy of the House Committee on Ways and Means
Congressman Dave Reichert
May 12, 2016

I commend Tax Policy Subcommittee Chairman Boustany and Ranking Member Neal for convening the recent member day hearing on tax legislation. I appreciated the opportunity to discuss my tax priorities and hear from many of my colleagues their pro-growth ideas to improve our tax code. I would also like to highlight my support for both the Historic Tax Credit Improvement Act (H.R. 3846) and an extension of Section 179D.

The Historic Tax Credit has facilitated the restoration of numerous historic buildings in my home state supporting economic growth and a sense of community. The Historic Tax Credit Improvement Act will build upon this success by encouraging investment in smaller, more rural communities with historic downtowns in need of rehabilitation. I thank Mr. Kelly and Mr. Blumenauer for their leadership on this important bill.

As we continue our work on tax reform, I strongly urge my colleagues to join with me in supporting another provision important to my constituents and communities across Washington − the Section 179D tax deduction for energy efficient commercial buildings. Section 179D puts money back in the hands of businesses to reinvest in the economy by providing a deduction to offset the cost of energy-efficient improvements to nearly all commercial, high-rise multifamily residential, health care, institutional, public, and educational facilities. In addition, it helps building owners realize substantial savings on energy costs. Section 179D also creates incentives for the research and development of new energy-efficiency technologies, strengthening our country's position as a leader in this area of the innovation economy.

As a result, Section 179D is a key driver of job creation. Since it was first enacted in 2005, this provision has helped to create or preserve hundreds of thousands of jobs in real estate, manufacturing, architecture, contracting, engineering, building services, financing, labor, environmental and energy efficiency, and education, among other industries and sectors. Many of these jobs have been created by small businesses. Beyond its sizeable economic impact, this provision helps alleviate demands on our power grid and, in turn, improves our national energy security. It is a "win-win" for taxpayers, the economy, and the environment.

Section 179D can be made even more effective by expanding the list of entities that can benefit from the provision. In particular, I strongly support adding tribal governments and non-profits to the list of entities that are eligible to allocate the deduction to designers. This is a common-sense modification that has broad bipartisan support.

Businesses need certainty on Section 179D in order to plan future projects and make hiring decisions. We shouldn't force these taxpayers to wait until Section 179D has expired to discover whether it will be extended. I look forward to working with my colleagues on the committee to ensure that Section 179D continues to drive growth and innovation by extending this important provision before its expiration.

May 11, 2016

The Honorable Kevin Brady
Chairman, Committee on Ways and Means
1102 Longworth House Office Building
Washington, DC 20515

The Honorable Sander Levin
Ranking Member, Committee on Ways and Means
1102 Longworth House Office Building
Washington, DC 20515

Re: Correcting Deficiencies in IRC§45(J) Nuclear PTC

Dear Chairman Brady and Ranking Member Levin,

We are writing to urge you to address several issues associated with IRC §45(J), the nuclear production tax credit (PTC) established by the Energy Policy Act of 2005 (EPAct 2005). Specifically, we urge your support for a proposal offered by Representative Tom Rice that would ensure the nuclear PTC fully meets Congress' original intent.

The §45(J) credit was intended to offset the first-of-a-kind risk of the first 6,000 megawatts of new nuclear generating capacity built after 2005. It is a limited credit both in duration (the first eight years of operation) and extent (the first 6,000 megawatts of new nuclear generating capacity). Unlike several other energy-related tax credits, the nuclear PTC is not indexed for inflation. Representative Rice's proposal would **not** change any of these constraints.

Business conditions have changed significantly since the nuclear PTC was created over a decade ago. The United States experienced a major recession and, as a result, economic growth and growth in electricity demand has been lower than expected. Partly due to this, the pace of new nuclear plant construction is not as rapid as had been expected in 2005.

Nonetheless, four new nuclear reactors are currently under construction in Georgia and South Carolina – the first new reactors built in the United States since the 1970s. Additional projects, including the first of a new generation of small modular reactors, are moving through the licensing process at the Nuclear Regulatory Commission, and will be ready for commercial deployment in the first half of the next decade. Many of these projects are being built by (or would be built by) partnerships that include investor-owned companies, electric cooperatives and public power systems.

The new nuclear plants now being developed serve multiple national imperatives: they will provide needed baseload (24-by-7) electricity; create tens of thousands of new jobs during construction and operation of the plants and through the entire nuclear supply chain; and reduce the electric power industry's carbon dioxide emissions. They also set the stage for the additional nuclear plant construction that will be necessary in the 2020s and beyond to meet America's energy and environmental goals.

Congress can ensure that this job creation is sustained by addressing several unintended deficiencies with the nuclear production tax credit, thereby preserving Congress' original intent. Specifically, Congress should:

1. Remove the requirement in the 2005 law that new nuclear plants must be placed in service by the end of 2020. This change would allow nuclear plants placed in service after the end of 2020 to qualify for the tax credit – until the 6,000-megawatts cap is reached.
2. Allow not-for-profit utilities to assign their allocation of credits to entities with tax obligations that are involved in the project. All of the "first movers" in the next generation of nuclear plants are joint ventures that include not-for-profit rural electric cooperatives and public power systems. These entities face the same risk as investor-owned companies and must be able to compete in the same markets. Under current law, the nuclear PTC is allocated to facilities on a pro-rata basis, then shared among the joint venture parties in those projects.

Until very recently, Americans enjoyed the benefits of a diverse portfolio of electricity sources, based on fuel and technology decisions made decades ago. This fuel and technology diversity is the bedrock strength of America's electric power supply system, but it is taken for granted and, as a result, undervalued. If current trends continue, that diversity is seriously at risk. As much as one-third of America's coal-fired generating capacity could be shut down in the next five years or so and the United States is increasingly dependent on natural gas for production of electricity.

This could expose consumers of natural gas and electricity to price volatility and loss of reliability. In this environment, continued construction of new nuclear plants is a strategic national imperative.

We strongly support Representative Rice's efforts to clarify congressional intent regarding the application of the production tax credit for advanced nuclear power facilities and to provide certainty to projects under development. As the trade associations representing the companies working to meet the nation's environmental goals and its electric generating capacity needs affordably and reliably, we urge the House Ways and Means Committee to work with Representative Rice to address these concerns as soon as possible.

Thank you for your consideration.

Sincerely,

The Edison Electric Institute
The Nuclear Energy Institute
The National Rural Electric Cooperative Association
The American Public Power Association
The Large Public Power Council

PETE DOMENICI

UNITED STATES SENATOR
NEW MEXICO
(RET.)

July 20, 2015

The Honorable Orrin G. Hatch, Chairman
U.S. Senate Committee on Finance
219 Dirksen Senate Office Building
Washington, D.C. 20510

The Honorable Ron Wyden, Ranking Member
U.S. Senate Committee on Finance
219 Dirksen Senate Office Building
Washington, D.C. 20510

Dear Chairman Hatch and Ranking Member Wyden:

In 2005 Congress recognized that development of new, advanced nuclear designs with enhanced safety systems required special consideration, given the magnitude of the investments and the lack of domestic manufacturing capabilities. At the time, concerns were mounting that no new nuclear power plant had been licensed for construction since 1978 and something needed to be done to get the first reactors built and demonstrate a future for nuclear power.

Primary among these incentives was a Production Tax Credit (PTC) for advanced nuclear units. The PTC was established to encourage development of the first new domestic reactors. Importantly, Congress did not provide unlimited support. By limiting the PTC to the first 6000MW of new capacity developed, Congress specifically and intentionally sought to mitigate the risk for the first plants built. In 2005, in my role as Chairman of the Senate Energy and Natural Resources Committee, I was directly involved in the development of the PTC proposal and am pleased that today a number of plants are under development that the Department of Treasury has concluded will qualify for the PTC.

However, what was not anticipated in 2005 was that nuclear plant investment was of such a scale that a joint-ownership model among partners would be the preferred path for investment, resulting in the public-private partnerships that are in now place at the nuclear construction projects currently in process. Most importantly, these public-private partnerships qualify for the PTC in a manner that means that approximately half of the customers of the projects would not receive the benefits of the PTC. It appears that the PTC has inadvertently created two classes of nuclear first movers, those that can use the credit (for-profit companies) and those that cannot use the credit (not-for-profit entities).

PETE DOMENICI

UNITED STATES SENATOR
NEW MEXICO
(RET.)

Congress clearly did not intend for customers that are subject to identical risk using the same power source to be treated differently. I would like to express support for any efforts to assure that all entities that bear the additional risk and cost associated with creating a new, domestic nuclear manufacturing capability are treated comparably.

Respectfully,

Pete V Domenici

Pete V. Domenici
U.S. Senator (Ret.)

Chairman Boustany and Ranking Member Neal, thank you for hosting today's hearing to hear Members' tax proposals and priorities.

I would like to discuss an issue that is of great importance to the Southeast – providing appropriate clarity for the Nuclear Production Tax Credit.

Eleven years ago, Congress included the nuclear PTC within the *Energy Policy Act of 2005*. As the last domestic nuclear power reactor was built decades ago, Congress designed the nuclear PTC to encourage investment in advanced nuclear energy projects.

South Carolina and Georgia heard this call loud and clear. These states are building four nuclear units.

As the cost of construction for advanced, passive-safety nuclear power facilities is understandably expensive, both public and private entities were required for the facilities' development. In each unit, one of the partners is a not-for-profit entity.

According to current Treasury Department guidance, the not-for-profit entities cannot efficiently utilize the credits, and thereby, they cannot pass the savings on to their customers. As this guidance reads, the savings from the nuclear PTC will not be passed to the ratepayers in South Carolina, Georgia, Florida, and Alabama, who have helped to shoulder the cost of the units' construction.

Treasury's interpretation creates inequities among project stakeholders that must be corrected for the program to work as Congress originally intended. Other energy technologies are able to efficiently use their credits with public-private partnerships. Nuclear energy should have the same consideration.

For the purpose of this hearing, I will use an amendment I introduced last year. This amendment would allow all owners within an advanced nuclear public-private partnership to be eligible to efficiently capture the value of their allocated tax credits.

This credit would be provided to private entities that own or assist in the development of the project; the reallocation of the credit will be passed on to the ratepayers of these public entities.

The Joint Committee on Taxation has stated this clarification offers a minimal cost - $12 million over 10 years.

In the last few months, I have worked closely with Chairmen Brady and

Boustany to share my continued interest in providing an appropriate fix for this oversight. I am grateful for the many hours the Ways and Means tax staff has dedicated to assisting me in finding a solution that works for both this body and the Senate. I will continue to work on this issue until we are able to pass these savings to South Carolinians and Georgians, as well as ratepayers from north Florida and Alabama.

Thank you again for your time.

Member Day Hearing on Tax Legislation

United States House of Representatives

Committee on Ways and Means

Subcommittee on Tax Policy

Representative Mac Thornberry

Thirteenth District of Texas

May 12, 2016

Chairman Boustany, Ranking Member Neal, and members of the Subcommittee, thank you for the opportunity to submit for the record this written testimony concerning legislation to permanently eliminate the Death Tax, otherwise known as the Estate or Inheritance Tax.

Growing up, I can recall discussions my father and grandfather would have about how decisions made in Washington, D.C., affected our daily lives, but few were as poignant as the issue of the Death Tax. I specifically remember listening to them discuss the dire possibility that our family might have to sell part of our land to pay these inheritance taxes, and even at an early age, I knew that this was fundamentally unfair.

Despite the progress that has been made, that possibility is still too real for many farmers, ranchers, and small business owners. This issue is one that I continue to hear about from my constituents in the 13th District of Texas. The Death Tax is still a burden to family farms, ranches, and small businesses; it still hurts rural economies and hinders the building of a family enterprise.

It does not just affect the ultra-wealthy. The Death Tax harms ranchers, whose assets are tied to physical property, such as land and livestock, without liquid cash with which the surviving family can pay an estate tax. Our nation's food supply depends on hard working farmers and ranchers similar to those in my District, and the Death Tax not only jeopardizes those families' livelihoods, but the trickle-down effects of it will be felt by the entire country.

On a broader scale, the Tax Foundation in 2015 published a report explaining that the United States has the *fourth highest* statutory estate tax rate in the Organization for Economy Cooperation and Development (OECD), followed only by Japan, South Korea, and France. How can our nation expect to compete in a global economy when our tax code is so punitive? Congress should be working to make doing business in the United States the most attractive option in the world, not supporting policies that tax our way out of the competition.

The same Tax Foundation report indicates that repealing the Death Tax would grow the economy by $137 billion, or a 0.8 percent growth in gross domestic product (GDP). Given the lackluster performance in our economic growth in the first quarter of 2016, a mere 0.5 percent expansion, repealing the Death Tax should be an even more important initiative. Wages are predicted to increase by 0.7 percent, and 139,000 full-time jobs would result from its repeal.

Furthermore, the list of those who support the repeal of the Death Tax is long and diverse. Among the groups most commonly associated with this effort are the National Association of Manufacturers, American Farm Bureau Federation, Independent Community Bankers of America, National Cattlemen's Beef Association, U.S. Chamber of Commerce, National Association of Homebuilders, and National Pork Producers Council. But it is important to note the support from the National Black Chamber of

Commerce, National Small Business Association, Public Lands Council, Small Business & Entrepreneurship Council, and the Hispanic Leadership Fund.

The American worker is taxed on his or her earnings throughout his or her lifetime. It is unequivocally wrong to levy a tax on what someone tries to leave to his or her children after having already paid taxes on it when it was first earned. Opponents will argue that reports indicate very few small businesses and farms owe an estate tax. But I believe that this double taxation is wrong for an estate of $100, and it is just as wrong for an estate of $100 million. Death should not be a taxable event.

One of the most enduring traditions of the American small business is passing that business down from one generation to the next, and we should not have to worry about the federal government skimming off that hard-earned success when it comes time to pass it on to our children and grandchildren. Rather, we need a tax code that honors this tradition by encouraging the hard work and sacrifices that have made this country great for generations.

I have introduced legislation to permanently repeal the Death Tax nearly every Congress since I was first elected. The "Death Tax Repeal Act," which is H.R. 173 in this 114th Congress, would simply repeal Subtitle B of the Internal Revenue Code of 1986 to eliminate the estate, gift, and generation-skipping taxes.

Along those lines, I want to take the time to thank and commend my colleague, the Chairman of the House Committee on Ways and Means, Representative Kevin Brady. As this Committee knows, the House passed Chairman Brady's H.R. 1105, the "Death Tax Repeal Act of 2015," on April 16, 2015, by a recorded vote of 240 to 179, and I was proud to cosponsor the effort and support its passage.

This Committee, and the 114th Congress, must build on this effort to permanently repeal this harmful, duplicative tax so that American small business owners, farmers, and ranchers can continue to work hard, build, and save with the knowledge that those hard-earned rewards can be enjoyed by future generations.

Rep. Tiberi
Statement for the Record
May 12, 2016 Tax Policy Subcommittee hearing

Thank you for the opportunity to submit a written statement in addition to my testimony during the May 12, 2016 Tax Policy Subcommittee hearing. During my testimony, I spoke about three bills: H.R. 4770, H.R. 3608, and H.R. 5187. All three are bipartisan, targeted pieces of legislation. H.R. 4770 and H.R. 3608 clarify Congressional intent when it comes to IRS implementation of the Section 199 domestic manufacturing deduction and the ticket tax for air transportation, respectively. The third increases the R&D Alternative Simplified Credit, which will increase investment and jobs in the U.S. In addition, I would like to mention other another bill that I have introduced that will increase investment in distresses areas of the country.

As background, I am the original sponsor of H.R. 855, the New Markets Tax Credit (NMTC) Extension Act, which expands and makes permanent the NMTC. I have seen firsthand the positive impact this tax credit has on creating jobs and revitalizing communities. I was pleased to see the PATH Act include a five year extension of the NMTC, and as we consider tax reform I believe we should consider the benefits that the NMTC provides to communities that desperately need investment and economic growth.

Additionally, I have been a champion of the Low Income Housing Tax Credit (LIHTC), and I was pleased to see the PATH Act also include a permanent extension of the nine percent credit floor for the LIHTC. The need for affordable housing across the country is great, and this program is an essential tool to help meet that need. It gives states flexibility to allocate credits based on their unique needs, and it centers around public-private partnerships, putting the private sector, rather than the taxpayer, on the hook. I look forward to continuing to work on ways to expand and improve upon the LIHTC.

Similarly, my bill H.R. 5082, the Investing in Opportunity Act, builds on my work on these two bills and compliments those tax credit programs. The bill will also work to revitalize economically distressed communities by providing a tax incentive for investors to inject capital in areas of the country that need it most. This bipartisan, bicameral legislation gives states control to identify targeted Opportunity Zones that would benefit most from increased investment and incentivizes long term investments. This removes a barrier to investment without any new government credits or financing, and will help spur innovation and entrepreneurship, job creation, and economic growth.

MICHAEL R. TURNER
TENTH DISTRICT, OHIO

COMMITTEE ON ARMED SERVICES
CHAIRMAN
SUBCOMMITTEE ON
TACTICAL AIR AND LAND FORCES

PERMANENT SELECT COMMITTEE
ON INTELLIGENCE

COMMITTEE ON OVERSIGHT AND
GOVERNMENT REFORM

ASSISTANT MAJORITY WHIP

Congress of the United States
House of Representatives
Washington, DC 20515

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May 23, 2016

The Honorable Charles Boustany
Chairman
Tax Policy Subcommittee
House Committee on Ways and Means
1102 Longworth House Office Building
Washington, D.C. 20515

Dear Chairman Boustany:

I am writing to submit for your consideration the enclosed proposal pertaining to the redevelopment of brownfields.

As you know, a brownfield is real property, the expansion, redevelopment, or reuse of which may be complicated by the presence or potential presence of a hazardous substance, pollutant, or contaminant. With an estimated 450,000 brownfields throughout the United States, public and private sector stakeholders must be equipped with the tools needed to clean-up and reinvest in these sites. This reinvestment helps bolster state and local tax bases and helps creates jobs.

The Brownfields Revitalization Act of 2016 seeks to build upon the efforts of Congress to alleviate the financial burdens that brownfields impose on local communities. The legislation would provide up to $250 million in tax credits, allocated to states by population, for remediation of brownfields. These credits, which are transferable to third-parties, would cover up to fifty percent of the qualified remediation expenditures at a qualified site in an eligible area (local government area with at least one census tract with a twenty percent poverty rate and Indian tribal lands).

This proposal would require targeted restoration to meet community needs, so that brownfields are remediated and job growth can be supported. As you continue your work to improve the U.S. tax system, it is my hope that you will consider advancing and adopting these proposals.

Thank you for your review of these proposals, and for your continued leadership as Chairman of the Tax Policy Subcommittee. Please do not hesitate to contact me if I may be of any assistance.

Sincerely,

Michael R. Turner

Michael R. Turner
Member of Congress

Encl: The Brownfields Redevelopment Act of 2016

MICHAEL R. TURNER
TENTH DISTRICT, OHIO

COMMITTEE ON ARMED SERVICES
CHAIRMAN
SUBCOMMITTEE ON
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May 23, 2016

The Honorable Charles Boustany
Chairman
Tax Policy Subcommittee
House Committee on Ways and Means
1102 Longworth House Office Building
Washington, D.C. 20515

Dear Chairman Boustany:

I am writing to submit for your consideration the three enclosed proposals pertaining to healthcare tax relief.

The first proposal, H.R. 518, the First Responder Medical Device Tax Relief Act, would exempt a qualified emergency medical device from the excise tax on medical devices. As you know, the Affordable Care Act (ACA) established and imposed a 2.3 percent excise tax on manufacturers, producers, and importers of medical devices. While eyeglasses, contact lenses, and hearing aids are expressly exempt from the tax, emergency medical devices are not. The devices are used by first responders and ambulance services to treat individuals with medical emergencies and save lives. This commonsense legislation would ensure that our state and local first responders are not subjected to the increased costs that result from the ACA's burdensome excise tax on emergency medical devices.

H.R. 519, the Healthcare Tax Relief and Mandate Repeal Act, would repeal the individual and employer and mandates included in the ACA. Under President Obama's healthcare law, individuals are required to purchase essential minimum health coverage, or pay a penalty for each month they do not have such coverage. Similarly, employers with more than fifty employees are required to provide coverage to each employee, or pay a penalty each month, per employee. These tax penalties are onerous and have worked to deprive individuals and families of the health coverage and doctors they want. This legislation would eliminate these mandates and help restore patients' choice in their healthcare decisions.

H.R. 520, the Student Job Protection Act, would ensure that full-time students working at their higher education institutions are able to pursue and maintain job opportunities that help them afford the cost of school, provide meaningful professional development, and contribute to their colleges and universities. Due to the ACA's employer mandate and its thirty-hour threshold for full-time employment, many higher education institutions are forced to restrict work hours for students seeking employment at their school. As we have seen in many industries, hours have been reduced and jobs eliminated by employers who simply cannot bear the additional cost of meeting this burdensome requirement. This legislation would protect these students from the needless elimination or hour restrictions for their jobs.

As you know, the ACA imposed numerous, burdensome taxes on the American public, and as you continue your efforts to improve the U.S. tax system, it is my hope that you will consider advancing and adopting these proposals.

Thank you for your review of these proposals, and for your continued leadership as Chairman of the Tax Policy Subcommittee. Please do not hesitate to contact me if I may be of any assistance.

Sincerely,

Michael R. Turner
Member of Congress

Encl: H.R. 518, the First Responder Medical Device Tax Relief Act
H.R. 519, the Healthcare Tax Relief and Mandate Repeal Act
H.R. 520, the Student Job Protection Act

MICHAEL R. TURNER
TENTH DISTRICT, OHIO

COMMITTEE ON ARMED SERVICES
CHAIRMAN
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May 23, 2016

The Honorable Charles Boustany
Chairman
Tax Policy Subcommittee
House Committee on Ways and Means
1102 Longworth House Office Building
Washington, D.C. 20515

Dear Chairman Boustany:

I am writing to submit for your consideration the enclosed proposal pertaining to the Historic Tax Credit.

As Co-Chair of the Historic Preservation Caucus, I work with stakeholders throughout the historic preservation community to help preserve our nation's rich history and encourage the rehabilitation of many of our national treasures.

The Historic Tax Credit (HTC) is one of the federal government's most valuable investments in historic preservation, and it continues to yield positive results in job creation and economic growth. H.R. 3846, the Historic Tax Credit Improvement Act, of which I am a cosponsor, would make long-overdue changes to the HTC to further encourage building reuse and redevelopment in small, midsize, and rural communities. The legislation would also simplify efforts to preserve and rehabilitate community projects, such as schools and libraries, while further leveraging state tax credits. This bill would also update program requirements to reflect current industry standards and practices, so more historic properties would be eligible to use the credit.

The HTC has been incredibly valuable to my home state of Ohio. From 2014 to date, the HTC has attracted the investment of over $532,000,000 to Ohio, allowing for the revitalization of town centers and important landmarks. In my own district, the Washington School in downtown Washington Courthouse, Ohio was renovated using the credit, and brought jobs and economic growth to the City.

Moreover, the HTC has rehabilitated more than 40,000 buildings, created nearly 2.5 million jobs, and leveraged $117 billion in private investment nationwide – all while effectively offsetting the program's cost by generating greater federal tax receipts.

As you continue your efforts to improve the U.S. tax system, it is my hope that you will consider advancing and adopting these proposals.

Thank you for your review of these proposals, and for your continued leadership as Chairman of the Tax Policy Subcommittee. Please do not hesitate to contact me if I may be of any assistance.

Sincerely,

Michael R. Turner
Member of Congress

Encl: H.R. 3846, the Historic Tax Credit Improvement Act

Statement for the Record

May 26, 2016

House Committee on Ways and Means

Rep. Jared Huffman and Rep. Dana Rohrabacher

We thank the Chairman and Ranking Member for providing this opportunity to discuss necessary priorities and changes to the tax code.

We would like to share with the Subcommittee a priority for our constituents in California and those across the country seeking to improve water conservation and local runoff management. Together, we introduced our bipartisan legislation, the Water Conservation Tax Parity Act, to ease the tax burden on homeowners and clarify that rebates provided by water utilities for water-efficient and runoff management improvements to a home are not subject to federal taxes. This would create parity between water conservation rebates and energy conservation rebates, such as for insulation, Energy Star-certified windows and doors, and energy efficient appliances, which are not taxable.

As Americans across the country scrambled to get their taxes filed before the midnight deadline this year, many homeowners found a new reason to feel frustrated. In return for doing the right thing and working with their local water utility to reduce their water footprint over the last year, they may have been slammed with a higher tax bill.

Increasingly, water utilities are offering rebates to incentivize private investment to reduce water use and ease the strain on public infrastructure. These rebates are not income, but an effort to defray upfront consumer costs. Encouraging residents to reduce water usage by replacing water-thirsty lawns, installing "gray water" capture systems, or purchasing new water-efficient appliances can provide significant water savings. However, these improvements are often too expensive for property owners to install without a financial incentive. To encourage more installations, water utilities across the country have established rebate programs to defray costs.

Additionally, protecting our waterways from stormwater runoff pollution is critical for public health, local economies, and our environment. Because so much of the natural surface in our cities is paved over, rainwater flows over city streets, collecting a range of pollutants, such as motor oil, antifreeze, and pesticides, before entering into local water bodies, making stormwater runoff a significant cause of water pollution. Dealing with this issue is not only a matter of good governance, but is required by the Clean Water Act, and water utilities across the country, from Seattle to Milwaukee to Montgomery, MD, have implemented rebate programs to incentivize property owners to act.

History tells us droughts and floods have plagued this planet even before human beings came along, and when faced with difficult water management challenges like the ongoing drought in California, cities and states need to do more to respond.

Our government should not sit back and make this preparation even more difficult.

House-by-house changes can make a huge difference. City and water managers are making a major bet that these changes will add up not only in California, but across the country.

With states, cities, and local water agencies leading the way, the federal government should help homeowners who are making smart decisions about their water footprint, instead of taxing the rebates and incentives they receive.

This is not a red or blue dispute or even a “green” issue. That’s why we have joined together to introduce legislation that ensures that homeowners have every resource available to install water-saving technologies, and aren’t taxed for reducing their water footprint.

As our constituents rush to file their taxes before the deadline on tax day 2017, we hope they all have one less income to report.

Subject: RE: Sec179D Energy Efficient Commercial Buildings Deduction Should Be Extended

Dear Chairman Brady, Chairman Boustany, Ranking Member Levin, and Ranking Member Neal:

We are writing to you today in regards to the Subcommittee on Tax Policy's recent member day hearing on tax legislation. We applaud the commitment voiced by Chairman Brady at the hearing to return to a regular order process for consideration of improvements to the tax code. As you seek ways to grow our economy and create jobs, we strongly urge a multi-year extension of the Section 179D tax deduction for energy efficient commercial and multifamily buildings at the earliest opportunity before it expires on December 31, 2016.

Our Company is a full-service, 36-person architectural firm that has been providing programming, planning, external and interior design, and construction administration for the last 44 years. The firm has been employing sustainable materials and designs into all of our projects since its inception in 1971. An example is our LEED certified North Hudson Community College North Campus facility. The energy savings realized on this facility will benefit the tax payers for years to come and reducing our energy requirements.

As you know, 179D directly supports two national priorities: Job Creation and Energy Independence. 179D was introduced into the tax code with the Energy Policy Act of 2005. It has been extended four times and will expire on December 31, 2016. Since the inception of 179D, it has assisted thousands of building owners and tenants in retaining jobs and increasing profitability; it has also increased job creation in the trades, where energy efficiency retrofits create large numbers of high paying jobs for a labor pool that was particularly impacted by the economic downturn. At the same time, 179D helps reduce our nation's dependence on foreign oil, thereby increasing America's energy security.

Jobs

Energy efficiency projects require enormous skilled and semi-skilled work forces. By cost-justifying projects, EPAct therefore plays a direct role in supporting a major source of employment in our state.

Lighting retrofits require lighting designers, laborers to remove and dispose existing fixtures, distribution centers to store the new lighting material, laborers to stage the new material near the job site and electricians to install the new fixtures.

HVAC retrofits require engineers for project system design, substantial U.S. manufacturing activity (most HVAC equipment is heavy and made in the U.S.), U.S. steel procurement and HVAC mechanics to install.

The building envelope involves a wide variety of manufactured and workshop materials including roofs, walls, windows, doors, foundations and insulation. In addition to the labor required to create these products, large numbers of roofers, carpenters, installers and laborers are needed to handle the material and incorporate it into a building.

In addition, reduced building expenses allow for the retention of jobs on the building owners' end.

Energy Security

Our nation's goal of becoming energy independent cannot be achieved through domestic oil and natural gas production alone. Energy Efficiency is an untapped natural resource. Commercial Buildings represent 20% of our nation's energy use. "Drilling" for building energy efficiency is the least costly natural resource we have. For building owners, the upfront cost of retrofitting is expensive, but with utility and government assistance working together with building owners, energy use reductions between 20% and 50% can be obtained.

Commercial building energy efficiency is a critical way by which utilities can meet newly established national guidelines for carbon emission reductions. By improving the cost benefit equation of an energy efficiency retrofit, Section 179D thereby plays an important role in helping utilities comply with national policy while simultaneously reducing the need for the construction of costly new power plants.

Looking Ahead

Today, taxpayers and industry understand how to prospectively use 179D to achieve the greatest possible energy reduction far better than they did eight years ago. This extension will empower our country to realize major energy efficiency gains and will not represent a material cost to Treasury. With the use of dynamic scoring the efficiency gains will increase taxable income over time for commercial building owners, and thereby reducing Treasury's losses from accelerating the depreciation. The tax collected from added profits obtained through energy savings quickly outweigh the foregone tax revenue created by 179D.

Conclusion

Section 179D supports a key investment in the American economy: energy efficiency. Energy efficiency is a force-multiplying investment that saves energy, saves money, and sustains and creates American jobs. Comprehensive energy efficiency upgrades drastically improve the reliability and performance of the nation's building stock, while reducing demand on our energy supply. We urge you to include multi-year extension of EPAct 179D in upcoming legislation.

Sincerely,
John P. Capazzi, AIA
President

Written Testimony of Patrick J. Kennedy, Jr.
President of the Subchapter S Bank Association
For the Record before the House Ways and Means Committee
Subcommittee on Tax Policy

May 12, 2016

Chairman Boustany, Ranking Member Neal, and members of the Subcommittee. Thank you for holding this Member Day hearing and for allowing me to submit written comments on the Capital Access for Small Business Banks Act – H.R. 2789 – and the Community Bank Flexibility Act – H.R. 3287.

I am a Texas attorney who has been privileged to represent hundreds of community banks throughout Texas and the United States over the past thirty plus years. Approximately 20 years ago, I was involved in a grassroots effort to change the Internal Revenue Code (IRC) to permit banks including savings institutions and their holding companies (hereinafter collectively referred to as "Banks") to elect to be taxed under Subchapter S of the IRC. Since the adoption of the Jobs Protection Act of 1996 which amended the IRC to permit these entities to make an S election, nearly one third of the Banks in the United States have chosen to be taxed under Subchapter S. That percentage has remained essentially the same after nearly 20 years and as of December 31, 2015, there were 2,039 Banks that maintain an S election which is 33% of the Banks in the US.

The Subchapter S Bank Association was formed in 1996 after the IRC was amended primarily to serve as an educational resource for Banks who desired to make an S election and in particular to assist in resolving a number of technical issues raised by the IRS after passage of the amendments. The Association has approximately 125 supporting Bank members and regularly communicates issues of importance to the entire Subchapter S Bank community.

As a practicing attorney who has helped many community Banks take the necessary steps to make an S election, I am very familiar with the rationale, operations and strategy of these Bank owners and managers. One of the most significant observations I can offer the Subcommittee and which prompted the introduction of these two bills, is that permitting Banks to elect S corporation or "flow-through" tax treatment is a key reason that we have as many community banks in this country as we have today.

Over the past 20 years, I have heard from many Bank owners that Subchapter S "saved our bank" because we would have had to sell the Bank otherwise. The explanation of this statement is that in order to "unlock the value" of the bank asset, the owners would have had to sell the bank, but with Subchapter S, they were able to move to a tax-efficient organizational structure which permits the owners to eliminate double taxation on earnings and dividends and to generate tax efficient cash flow on their investment.

Approximately 3 years ago, we began to notice that many of our clients and S corp Association members were having to terminate their S election or consider termination. Their rational varied but it was largely due to financial and regulatory pressure as further described below.

There seemed to be significant support from the community banking industry to provide a means for Subchapter S Banks to continue to access capital to support growth by expanding their shareholder numbers and to permit these Banks to issue preferred stock, one of the most popular means for banks to raise capital.

Despite a significant amount of anecdotal evidence of the need for such a measure, we studied FDIC call report data and surveyed the 123 banks that had terminated their S election between 2009 and 2013. Key conclusions we reached are set forth below:

-90% of the then 2,199 S corp Banks were under $1 billion in total assets

-90% of that total were located in rural communities which are defined as census tracts with fewer 1000 residents per square mile

-88% of that total were located in rural communities with fewer than 500 persons per census tract

-The percentage of small business loans made by S corp Banks was nearly double the percentage per dollar of capital made by C corp banks

-A number of the Banks that terminated their S election did so because of dividend restrictions imposed by the regulatory agencies despite the fact that the Banks had taxable income. This put significant pressure on Bank owners who had to pay federal income tax from S corp earnings but did not have the cash to make the payments.

Congress enacted Dodd Frank which unleashed costly regulation and further restricted capital access for Banks through the elimination of the trust preferred securities market. Topping these blows, the Federal Reserve and other agencies imposed the Basel III capital regulation on all banks in the United States. In sum, these two major actions have increased the expense and risk of operating a bank and further increased required capital ratios. More capital pressure is pending in the form of the Financial Accounting Standard Board's proposal to change the industry's method of accounting for future loan losses which is estimated by the bank regulatory agencies to cause bank's to increase their loan loss reserve account by up to 50% more.

In reaction to these measures, community banks have recently been disappearing at the rate of one per day. If the government does not take action to stop this trend, our local communities will suffer significantly and the engine of economic growth will continue to sputter.

Adoption of HB 2789 will allow the 2,039 subchapter S banks and bank holding companies two important methods to access private capital. First, by increasing the number of permissible shareholders in a Subchapter S Bank from 100 to 500, many Sub S Banks will be able to increase capital by offering shares to new shareholders. In addition, this measure will permit many C corp banks which have been reluctant to adopt the S corp status, the ability to do so and avoid the capital pressure of eliminating small shareholders through a cash out merger in order to meet the present 100 shareholder limit under current law. Second, permitting S corp Banks to issue preferred shares will create an excellent tool for all S corp Banks to raise additional capital. Preferred stock sales have been one of the best ways for banks to raise capital in recent years and S corp's inability to access this capital raising tool has been a significant detriment to them.

Adoption of HB 3287 would bring the banking industry into the modern "corporate" world by permitting banks to be organized as limited liability companies (LLCs). Since the Internal Revenue Service approved the Wyoming LLC in the mid 1980s, the first in the nation, the LLC has become the entity of choice by privately held businesses. Indeed in our discussions with senior tax staff of the Committee over the past 18 months, the LLC was suggested as the most consistent way to offer banks the opportunity to achieve flow through tax treatment without the current restrictions under Subchapter. There is no reason why a Bank should not be permitted to organize as an LLC. Adoption of this bill would provide an important capital tool for the banking industry to access and encourage community banks to continue to remain independent and to grow and serve their communities by adopting a flow through tax structure free of shareholder type and number limitations.

While some may argue that the Treasury would be impacted as a result of adoption of these bills, our experience in the industry suggests otherwise. The reality is that C corp banks are taxed at a much lower level than S corp banks and though dividends to shareholders in C corp banks are taxed separately, C corp bank dividends are typically minimized or non-existent. As such S corp bank shareholders pay tax on all their bank earnings at now up to 43.3% rate. In addition, the evidence indicates that S corp banks generally outperform C corp banks, and as such they generate a greater amount of income on which their shareholders are taxed.

Finally, encouraging additional capital investment into the community banking industry provides significant economic impact as a result of the increased lending opportunities these banks would have from their improved access to capital.

We urge favorable consideration as a long term incentive to shareholders and banks to continue to operate in the current costly and restrictive environment.

Written Testimony of Mark Shriver
President
Save the Children Action Network (SCAN)
899 North Capitol Street, NE
Suite 900
Washington, DC 20002
For the House Committee on Ways and Means
Member Day Hearing on Tax Legislation

May 23, 2016

Chairman Brady, Ranking Member Levin, and honorable Members of the Committee, thank you for the opportunity to provide testimony about tax legislation introduced in the House of Representatives. My name is Mark Shriver and I am the President of Save the Children Action Network (SCAN). SCAN is a national, non-profit organization aiming to mobilize Americans in support of critical investments in early childhood education.

SCAN supports expanding access to high quality early childhood education programs for all children, especially the most vulnerable and at-risk. For this reason, SCAN is pursuing a number of innovative financing mechanisms to drive more resources toward early childhood education. One of the methods that has received significant bipartisan support is Pay For Success, a model supported by the Social Impact Partnerships to Pay for Results Act (H.R. 5170/S. 1089), introduced by Representatives Todd Young and John Delaney. SCAN was also pleased to work with Representatives Mike Kelly and Linda Sanchez on the Working Families Relief Act (H.R. 4867/S.2879) to help expand the Dependent Care Assistance Program.

Background

Participation in high quality Early Childhood Education (ECE) programs is critical for children. During the first five years of life, a child develops many of the skills necessary to become successful. It is during these years that children build the foundation necessary for academic success in key subjects, including reading, math, and science, as well as the skills necessary for character building, social-emotional growth, gross-motor development, and executive functioning—including everything from impulse control to problem solving.

In addition to putting kids on the path to success, early education has lasting economic benefits as well. Nobel-prize winning economist James Heckman has found a return on investment of $7 for every $1 invested in preschool. [i,ii]

Unfortunately, two out of five American children are not enrolled in preschool. Without access to high quality early learning programs, children fall behind and many never catch up. By age five, more than half of all American children are not prepared for school.[iii] Early education—starting at birth and continuing until a child's first day in kindergarten—is a critical window for ensuring future academic achievement. This window, however, closes quickly, and children who enter kindergarten unprepared are more likely to experience serious negative social impacts. Disadvantaged children who do not participate in high quality early education programs are:

- 70 percent more likely to be arrested for a violent crime;
- 60 percent more likely to never attend college;
- 50 percent more likely to be placed in special education;
- 40 percent more likely to become a teen parent; and
- 25 percent more likely to drop out of school.[iv]

It is critical to ensure that all children, regardless of their families' income, have access to high-quality preschool and comprehensive early education and family engagement programs.

<u>Pay For Success Financing</u>

We know government budgets are tight, and funding is often the largest hurdle in the debate to expand early education. While SCAN strongly supports robust government funding for early learning programs, we also advocate for additional innovative financing mechanisms to further increase access to high-quality early childhood education in common sense, cost-effective ways.

One of these mechanisms is the Pay for Success (PFS) model, also known as Social Impact Bonds (SIBs). In a PFS program, the government repays investors for services they agree to pay for up front – but only if an evidence based program achieves predetermined results. Pay for Success is based on generating savings for taxpayers through privately-funded social services, like preschool programs, job training, housing assistance or other interventions. Those savings are then measured, with the government keeping a portion and the original investors receiving a limited portion. If the programs prove effective, the investors are repaid. If they are not effective the government is not on the hook for a single penny.

These partnerships formed between the private and public sectors save taxpayer money and deliver high-quality, measurable results. Most importantly, Pay for Success programs can help supplement existing funding; they do not replace traditional government spending for these important programs.

Here is how it works. In most cases, a state or local government identifies a need in their community and then contracts with private investors to front the money for a specific social service. Participating nonprofits manage the project while a third party conducts a rigorous, independent evaluation at the conclusion to determine if the desired outcomes were achieved. The government then pays investors back if the desired, predetermined outcomes are achieved. Both the investors and the state or local government must approve the outcome metrics in advance, and an independent, third-party evaluator is tasked with determining if the metrics are met.

Because of this structure, Pay for Success initiatives are a minimal risk to taxpayers, but also enable innovative and nimble service providers to tackle significant societal challenges. One Pay for Success program in Utah is already making a difference in the lives of children. This program paid for 595 at-risk, low-income 3- and 4-year-olds to attend high-quality preschool in the 2013-

14 school year. Based on a predictive standardized test, 110 of these students were determined to be likely to need special education intervention. After one year in high-quality preschool, only one of the 110 identified students needed special education services in kindergarten, significantly reducing remediation costs for the school district.

Utah then kept part of the savings, with the rest going toward paying back the initial investors. It was agreed in the initial contract that the investors' return could not be higher than 5% over the municipal bond rate (for a total maximum return of 7%). This is a fairly modest return for an investment that could be considered relatively risky.

Some critics have pointed to the high success rate of this program as an issue. The developers of other PFS programs are taking the lessons learned in Salt Lake City and refining the metrics used to determine success. Nevertheless, the fact that nearly 600 children in Utah, who would not have had a seat in a pre-K classroom and reap its benefits, can now attend, is a big step in the right direction. Additionally, the Utah program benchmarked payments on those children who are the furthest behind or hardest to serve. The early enrollment of students also led to a number of students receiving Special Ed services a year earlier due to earlier identification of learning disabilities.

The initial results of Pay for Success programs in the U.S. have shown that this promising financing method eliminates investments in programs that are ineffective and reduces long-term costs through effective, results-driven programs that avoid future government spending on remedial services.

Dependent Care Assistance Program

In the U.S., fewer than one-in-three children have a full-time, stay-at-home parent. Almost one-quarter of children under the age of five are in organized child care arrangements. For these families, the average cost of center-based child care in the United States is almost $12,000 per year. For infant care, the cost is even higher. According to U.S. News & World Report, in 33 states and Washington, D.C., a family will pay more annually for infant care than for full-time, in-state public college tuition.

Reforming the Dependent Care Assistance Program is one way to help these parents ensure their children are able to make the most out of their early years.

The Dependent Care Assistance Program (DCAP) is an employer sponsored program that provides reimbursements for up to $2,500 annually ($5,000 for married couples) to employees who pay for dependent care. Employees are allowed to deduct dependent care expenses from their paycheck on a pre-tax basis. Employees who use DCAP are not eligible to claim the Child and Dependent Care Credit (CDCTC) on their tax return.

The Working Families Relief Act (H.R. 4867/S.2879) would help more families utilize the DCAP and increase the benefits for these families. Specifically, this legislation would:

1. Increase the maximum amount the employee can exclude from income to $10,500 and index for inflation;
2. Allow a tax credit for Small Employer Dependent Care Assistance Program start-up costs for employers; and
3. Provide a tax credit to employers who match Dependent Care Assistance Program contributions by employees up to $1,000.

These changes will make the DCAP more beneficial to families, less expensive for employers, and provide employers with tax benefits for offering additional assistance to their employees. Additionally, by helping to offset the costs for setting up these programs, employers will be able to provide greater benefits to their employees and better compete for workforce talent.

Conclusion

On behalf of Save the Children Action Network, and our advocates across the country, I want to thank the Committee for examining evidence-based practices as a way to benefit vulnerable individuals and families, and for considering enhancing the Dependent Care Assistance Program. We strongly support the Social Impact Partnership Act (S. 1089/H.R. 5170) and the Working Families Relief Act (H.R. 4867/S.2879) and believe both would expand early childhood education. We ask for your continued partnership in investing in children, increasing access to opportunity, and ensuring a more prosperous America for generations to come.

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[i] James Heckman, Seong Hyeok Moon, Rodrigo Pinto, Peter Savelyev, and Adam Yavitz, "A New Cost-Benefit and Rate of Return Analysis for the Perry Preschool Program: A Summary," *NBER Working Paper Series*, (2010), http://jenni.uchicago.edu/papers/Heckman_Moon_etal_2010_NBER_wp16180.pdf.

[ii] *Investing in Our Future: The Evidence Base on Preschool Education*, Foundation for Child Development & Society for Research in Child Development, (Oct. 2013), http://fcd-us.org/sites/default/files/Evidence%20Base%20on%20Preschool%20Education%20FINAL.pdf.

[iii] Julia B. Isaacs, "Starting School at a Disadvantage: The School Readiness of Poor Children," *Center on Children and Families at Brookings,* (March 2012).

[iv] "Early Childhood Education in the U.S.," Save the Children USA, (2015), Print.

May 26, 2016

The Honorable Kevin Brady
Chairman
House Committee on Ways and Means
1102 Longworth House Office Building
Washington, D.C. 20515

The Honorable Charles Boustany
Chairman
House Subcommittee on Tax Policy
1102 Longworth House Office Building
Washington, D.C. 20515

The Honorable Sander Levin
Ranking Member
House Committee on Ways and Means
1106 Longworth House Office Building
Washington, D.C. 20515

The Honorable Richard Neal
Ranking Member
House Subcommittee on Tax Policy
1106 Longworth House Office Building
Washington, D.C. 20515

Dear Chairman Brady, Chairman Boustany, Ranking Member Levin, and Ranking Member Neal:

Siluria Technologies, Inc. ("Siluria") is pleased to submit comments in connection with the recent House Ways and Means Tax Policy Subcommittee member day hearing on tax legislation. As you seek ways to create jobs and grow our economy, we strongly urge you to enact H.R. 2142, the Capitalizing on American Methane Act. This legislation would help unleash one of the most promising ways for our nation to take advantage of our abundant domestic natural gas resource in a way that will create jobs and bolster our energy independence. Grover Norquist, the President of *Americans for Tax Reform*, has described H.R. 2142 as **"a productive step forward in promoting competition and parity in the tax code until broad-based tax reform can be achieved.[1]"**

An Introduction to Siluria and the Market

Siluria is a fuels and chemicals company headquartered in California with plant operations in Texas that is developing advanced processes to convert abundant, clean natural gas into liquid transportation fuel and various chemicals, including ethylene. Siluria has been operating multiple pilot facilities since early 2012. In addition, in 2015 Siluria started up a commercial demonstration plant located in La Porte, Texas. This plant represents the final scale-up of the company's process technology and paves the way for the deployment of commercial-scale plants. There are over two dozen similarly-situated companies to Siluria, making pioneering advances in the gas-to-liquids industry across the nation, with two thirds of such companies residing in the Gulf Coast states.

Natural Gas and Siluria's Technology

Siluria's technology could help America capitalize more fully on its domestic natural gas supply, which has experienced a renaissance in the past decade. Natural gas is less expensive and more widely available than crude oil. It is also inherently cleaner and more environmentally friendly. Despite these advantages, natural gas is not commonly refined into the myriad of products produced from crude oil (e.g., fuels, building materials, plastics, and electronics) because methane—the principal component of

[1] See attached letter from Americans for Tax Reform, May 20, 2016.

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www.siluria.com

natural gas—is a very stable molecule. So today, most natural gas is consumed to produce heat. As a result, our current consumption patterns fail to maximize the full economic and environmental potential of natural gas.

Siluria and other similar companies are changing this dynamic by developing new innovative processes to *chemically* transform methane into higher value products such as liquid fuels (gasoline, diesel, jet fuel) and chemicals in an efficient, cost-effective, scalable manner.

At the core of Siluria's technology is a unique catalyst that enables a chemical process called the Oxidative Coupling of Methane ("OCM"); other companies use different chemical pathways with the same net result—natural gas is turned into high value products (e.g., chemicals, gasoline, diesel, jet fuel, waxes etc.) that today are typically derived from petroleum. Siluria's process converts methane into ethylene, the world's most common and versatile chemical intermediate. Siluria can then combine these ethylene molecules to produce long-chain hydrocarbons that form liquid fuels such as gasoline, diesel, or jet fuel. The resulting fuel products are *chemically indistinguishable* from petroleum-derived fuels and are fully compatible with today's existing infrastructure and vehicles. Importantly, Siluria is just one of many companies around the country developing the technology to convert methane into higher value fuels or chemicals.

Widespread use of fuels derived from OCM and other methane-to-products technologies could have significant benefits for the country. First, it would enhance U.S. energy security by helping the country capitalize on its vast domestic resources and reduce America's reliance on foreign oil. Second, the efficiency of Siluria's process, combined with the abundance of low-cost domestic natural gas, could result in lower fuel prices to consumers. Third, the adoption of these technologies could create thousands of new jobs in the natural gas and chemical industries and strengthen the U.S. economy. Fourth, the efficiency of OCM and other similar solutions in particular may enable small-scale fuel plant deployment in diverse locations throughout the United States. Fifth, the OCM process and other methane-to-products technologies will result in lower emissions than traditional industry processes. Importantly, this transition would not require the replacement or alteration of our existing energy infrastructure.

The Tax Parity Opportunity

For the last century, the federal government has used tax policy to effectively support the adoption of energy technologies. Beginning with fossil fuel incentives in the early 1900s and continuing through renewable energy incentives in the 1970s until today, Congress has used the Tax Code to drive development of America's domestic energy supply. Today, the development of new technologies that produce affordable, American-made energy is essential to enhance our energy independence and secure our leading place in energy innovation.

The Tax Code has been an effective tool for developing the energy industry because it can provide the certainty and stability necessary to encourage private capital investment. Additionally, the self-executing nature of the Tax Code depends less on administrative discretion than other types of federal programs. However, the existing system of energy tax incentives relies heavily on technology-specific eligibility criteria that fail to anticipate and include the next generation of energy technologies. This drives private capital away from emerging technologies and towards mature industries that have already reached commercialization.

For example, despite the clear public policy benefits of adopting technologies that convert methane into products, this entire category of technologies do not qualify for any existing energy tax incentives. This situation is not the result of a conscious decision by Congress to exclude these technologies; rather, it is simply because they have never before been commercialized in this manner. Regardless of the origin of the problem, the result is that the current Tax Code puts innovative methane conversion technologies at a competitive disadvantage to technologies that have existed for years and have reached maturity.

H.R. 2142 would correct this discrepancy by updating two existing tax incentives to include methane conversion technologies. The bill would not add to the list of energy tax incentives in the current code; it would simply provide *parity* by making methane conversion eligible for tax provisions that are already available to other natural gas technologies and alternative fuels (e.g, LNG, CNG, coal-to-liquids, biomass, etc.). This proposal represents sound public policy and is consistent with Congress' efforts to create a fairer and more neutral tax system. It has earned the support of a bipartisan roster of cosponsors as well as stakeholders such as *Americans for Tax Reform*.

Siluria and its gas-to-liquids brethren have been tracked by various publications over the years, including the *Houston Chronicle*[2], who report that an IHS Energy analyst referred to Siluria's techniques as "disruptive technology" for the energy sector. Siluria's technology could play an important role in reshaping America's energy future by helping our country maximize the beneficial impact of its natural gas supply. A transition to fuel based on methane conversion technology from Siluria and other companies will enhance our energy security, create thousands of jobs, and lower fuel prices—all without requiring entirely new industrial infrastructure or vehicles.

Siluria commends the Committee for its work in improving the Tax Code, and urges the enactment of H.R. 2142 at the earliest possible opportunity to put innovative new American technologies, such as those embodied by H.R. 2142, on a level playing field with established industries.

Thank you for your consideration.

Sincerely,

David J. Zaziski, Ph.D.
Director, Government Affairs
Siluria Technologies, Inc.

[2] See attached *Houston Chronicle* article, April 2, 2015, by Ryan Holeywell.

AMERICANS *for* TAX REFORM

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May 20, 2016

The Honorable Orrin Hatch
Senate Finance Committee
219 Dirksen Senate Office Building
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The Honorable Ron Wyden
Senate Finance Committee
219 Dirksen Senate Office Building
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The Honorable Kevin Brady
House Ways & Means Committee
1102 Longworth House Office Building
Washington, D.C. 20515

The Honorable Sander Levin
House Ways & Means Committee
1102 Longworth House Office Building
Washington, D.C. 20515

Dear Chairman Hatch, Chairman Brady, Ranking Member Wyden, and Ranking Member Levin:

Americans for Tax Reform (ATR) urges your support of H.R. 2142, the Capitalizing on American Methane Act. ATR has long held the position that the tax code, with regard to energy incentives, distorts the free-market by picking winners and losers. Yet until Congress is able to address this issue through broad-based tax reform, steps can be taken to at least promote competition and parity in the code as it currently exist. H.R. 2142 would accomplish both of these goals.

H.R. 2142 would not add to the current list of energy tax incentives in the code, but would simply facilitate parity in the code by making new methane conversion technologies eligible for tax provisions that are currently available to similar gasification technologies and alternative fuels (e.g. LNG, coal-to-liquids, biomass, etc.).

Methane conversion technology allows for the conversion of methane into hydrocarbons for use as chemicals and transportation fuels. Unlike technologies and alternative fuel sources already receiving favoritism in the code, methane conversion technology could offer real tangible economic benefits to taxpayers. However, such technology is currently at a competitive disadvantage due to the lack of parity in our tax code.

H.R. 2142 would be a productive step forward in promoting competition and parity in the tax code until broad-based tax reform can be achieved.

I urge you to support and vote for H.R. 2142, the Capitalizing on American Methane Act.

Sincerely,

Grover G. Norquist
President
Americans for Tax Reform

HOUSTON CHRONICLE

Startup says it's a catalyst for cheaper chemical production

By Ryan Holeywell, April 2, 2015

LA PORTE — A 48-foot-tall maze of pipes and tubes could hold the future of petrochemicals, according to a San Francisco-based startup.

Siluria Technologies showed off its latest technology to potential investors and customers this week in La Porte as it touted what it calls a breakthrough in the development of chemical building blocks.

The technology could help downstream companies save money on every ton they produce of ethylene, a key component widely used in the chemical industry, said Ed Dineen, chief executive officer of San Francisco-based Siluria Technologies.

"Nobody does what we do," Dineen said.

Dineen's company says it has developed a way to convert methane, the primary component of natural gas, into ethylene as well as motor fuels using techniques that have eluded chemists for decades.

Dineen is pitching the technology as a way to get more value out of natural gas, which has become so abundant and inexpensive in the wake of the domestic energy boom that producers often leave it in the ground or flare it off when it is produced with oil, since it's not worth the cost of harvesting it.

Ethylene typically is produced through a process called cracking, which uses steam to separate it from the natural gas liquid ethane, in the U.S., or a crude oil product called naphtha, often used abroad.

But Siluria leaders say they can make ethylene more cheaply from methane using a technique called oxidative coupling that they've unlocked through the development of a proprietary catalyst. The company says it also has a separate process, using another catalyst, to convert the ethylene it produces into gasoline and other transportation fuels.

Siluria's process involves combining methane with oxygen in the presence of the catalyst it developed. The combination yields ethylene and water. Dineen said companies can save $100 per ton using its technique instead of ethane cracking, and about $300 per ton compared to naphtha cracking.

Analysts at IHS Energy have called Siluria's techniques "disruptive technology" that could compete with existing techniques.

In December, Siluria launched operations of the demonstration unit in La Porte, where it is testing its technology at the largest scale yet.

The goal is to gather data about the process and show how well the catalyst can work under different temperature and pressure conditions.

Previously, company technicians had been fine-tuning their processes at a pilot facility in California. The La Porte unit is 80 to 100 times larger.

"It's not a lab, and it's not a pilot," Dineen said. "It's a big piece of equipment."

The company already has drawn the interest of industry heavyweights. Company officials say they've raised $120 million in investment, including $30 million from the venture capital arm of Saudi Aramco, Saudi Arabia's national oil company. Dineen is a former chief operating officer of chemical giant LyondellBasell, and Siluria's board includes former executives from Anadarko Petroleum Corp. and Duke Energy. The company has about 75 employees.

The demonstration unit is housed at a polypropylene facility run by Brazilian petrochemical company Braskem. Siluria leaders declined to say how much the unit cost.

Today, the unit in La Porte can produce about a ton of ethylene per day, Dineen said. Siluria ultimately hopes to license its technology to midstream and downstream companies that would use it at their own plants at a much larger scale.

Already, Dineen says, it's in discussions to develop two commercial-scale applications of its technology, though he didn't name the potential partners. At a larger scale, Dineen believes the technology can produce 100,000 tons of ethylene per year. He said the company hopes to complete those deals by the end of the next year.

"Everything we've done here agrees with what we've done at the pilot plant," said Gary Koehler, the company's vice president of operations. "It looks like the scale-up is about right."

Siluria says its technology isn't new - the industry has long been aware of the process it uses - but it hasn't been developed before to the point that it was economical to use on a large scale. "I think they tried so long and so hard, their thinking was 'it's never going to work, so let's put our resources elsewhere,' " Dineen says.

When Koehler worked for Arco in the 1980s, he said, his employer tried to develop a catalyst to make the reaction work.

But the catalyst degraded quickly, and it required much higher temperatures than the Siluria catalyst.

Laboratory technology has advanced, Dineen said, and now it's possible to test hundreds of catalysts every day.

After trying more than 75,000 versions of a catalyst, Dineen's team developed one that lasts about a year and works under less extreme temperature and pressure conditions, keeping operating costs down.

The catalyst looks like a small white cylinder. Dineen won't say what's in it, other than metallic compounds.

"In general, everybody's a little bit surprised we've cracked this nut," Koehler said.

May 17, 2016

The Honorable Charles Boustany
Chairman
House Ways & Means Committee
Tax Policy Subcommittee
U.S. House of Representatives

Dear Chairman Boustany,

Thank you for the opportunity to share my thoughts on your May 12 hearing on Member proposals for improvements to the tax system. My name is Arlen Drof, and I am President of the Tax Avoidance Research Center, a nonpartisan, independently-funded organization devoted to purging our nation's tax code of wasteful and costly provisions.

This year marks the 30th anniversary of the passage of the last major tax reform package, signed into law by President Ronald Reagan in 1986. In the three decades since then, the once-streamlined tax code has become oversaturated with unneeded expenditures, many of which are beloved by special interests but cost taxpayers billions each year. Put simply, it's once again time to trim the fat.

To this point, I would like to focus my comments on legislation that was discussed, and is being supported by, Rep. Dave Reichert, the Promotion and Expansion of Private Employee Ownership Act of 2015, H.R. 2096 (henceforth PEPEOA).

PEPEOA would take steps to boost the prevalence of employee stock ownership plans (ESOP). ESOPs are, ostensibly, an effective means of boosting workers' retirement savings, which at the same time offer them a literal stake in the company. Starbucks is a perfect example of how they can be legitimately deployed -- as a publicly traded C corporation, the company gains little to no tax advantage by offering an ESOP to its employees, but does so anyway to ensure workers are rewarded in retirement for their years of service to the company.

However, for the majority of businesses with an ESOP, the motivation behind establishing their plan is not a sense of altruism or concern for their employees' welfare, but rather sheer greed. These companies cunningly utilize their status as a pass-through entity and pair it with an ESOP to exploit an enormous tax loophole, ultimately avoiding payment of taxes altogether. These firms wrap themselves in the flag of "boosting retirement savings"; "employee-ownership"; and giving their employees a "piece of the rock" (along with myriad other trite phrases), but fail to mention that they are ultimately shifting their tax burden from the business entity level to their own employees.

The loophole works like this: a pass-through company (generally an S Corporation, whose income is taxed at the individual, rather than corporate, rate) will create an ESOP. The ESOP is actually a tax-exempt trust, which in the case of an S corporation means that every penny of a firm's income is "passed through" to the trust, allowing the company to pay no tax altogether. Employees become shareholders of the trust, and when it comes time to retire must bank on the fact that the company will buy them out of their shares (and still exist altogether).

To be sure, in the real world, executing this maneuver requires more than a little tax evasion ju-jitsu, and is generally facilitated by high-priced accountants and tax attorneys (the fact that the loophole is available only to firms with the resources to hire such experts should be enough to raise eyebrows). But explain the scheme to any layman and they invariably will agree that there is an inherent unfairness to it all.

Special interest groups like The ESOP Association and the Employee-owned S Corporation Association (ESCA) like to argue that the tax is eventually paid, and in this regard they're at least partially correct. What they conveniently leave out, though, is that the tax is paid by employees, rather than the business itself. When employees "cash out," and their employer buys back their shares in the tax-exempt trust, they face 100 percent of the tax burden. In other words, while their competitors are facing effective tax rates of over 50 percent (when state and local taxes are tallied up), S Corporation ESOPs enjoy tax-free status by making their workers bear the full brunt of the tax burden, and putting it squarely on their shoulders.

Beyond the inherent unfairness of granting a few select businesses the privilege of not having to pay any tax whatsoever, S Corporation ESOPs carry serious risks that cannot be ignored. There is nothing quite as ugly in the employee benefits world as an ESOP gone bad. In fact, many companies with an ESOP do not consider the future repurchase obligation, mentioned above, that makes the whole retirement ecosystem function properly.

This creates a situation where employees place all their "retirement eggs" in one basket; if the company is unable or unwilling to buy back their shares when it comes time to exit the workforce, that employee will have no way to access the funds they thought they would be entitled to. This tragic scenario was most poignantly exhibited in the downfall of the one-time energy giant Enron, which promised employees a secure retirement investment vehicle, yet was unable to deliver on its commitment when the company went down in flames. In other words, an ESOP is only as good as the company's stock; at one point, Enron was considered a Blue Chip firm, of the same caliber as the established Microsofts and IBMs of the world. Given the high percentage of businesses that fail -- not to mention natural fluctuations in the economy and in markets -- tying employees' long-term retirement savings to a firm's success over a 30-plus year period is unwise, at best.

The employee stock ownership plan is the epitome of bad tax policy. In particular, 100 percent employee-owned S Corporation ESOPs are an example of an egregious tax loophole that needs to be closed. Members of Congress owe it to their constituents to not use hard-earned taxpayer money to prop up a small cadre of businesses who, ironically, are the ones who have the resources and ability to exploit this loophole.

H.R. 2096 would effectively double down on a failed, unfair tax policy. I therefore urge you, Chairman Boustany, as well as members of the Committee, to oppose the Promotion and Expansion of Private Employee Ownership Act of 2015, and to end the unfair tax treatment enjoyed by S Corporation ESOPs.

Thank you for your consideration,

Arlen Drof
President, Tax Avoidance Research Center
endtaxevasion@gmail.com

TaxCentricLighting

A Funding Solution for Lighting Upgrades

Dear Chairman Brady, Chairman Boustany, Ranking Member Levin, and Ranking Member Neal:

We are writing to you today in regards to the Subcommittee on Tax Policy's recent member day hearing on tax legislation. We applaud the commitment voiced by Chairman Brady at the hearing to return to a regular order process for consideration of improvements to the tax code. As you seek ways to grow our economy and create jobs, we strongly urge a multi-year extension of the Section 179D tax deduction for energy efficient commercial and multifamily buildings at the earliest opportunity before it expires on December 31, 2016.

Our Company, TaxCentric Lighting, a company specializing in using tax incentives to help building owners and long term tenants move forward with a capital investment to reduce their demand on power while lowering their operating costs. We network nationally with many of the major distributors, ESCO's (Energy Savings Companies) and manufacturers to build business models that justify an investment to upgrade today. I can tell you with great confidence that these tax incentives make a difference in generating demand for materials and labor that many times would not happen if it were not for 179D.

We have or are securing business since the last extension form major companies base on or in part EPAct 179D. (L.A. Fitness, we are currently talking with COSTCO to do nearly 200 locations, Trinity Industries with over 70 manufacturing plants is looking at and have accepted a bid to use 179D to invest in lighting upgrades.

As you know, 179D directly supports two national priorities: Job Creation and Energy Independence. 179D was introduced into the tax code with the Energy Policy Act of 2005. It has been extended four times and will expire on December 31, 2016. Since the inception of 179D, it has assisted thousands of building owners and tenants in retaining jobs and increasing profitability; it has also increased job creation in the trades, where energy efficiency retrofits create large numbers of high paying jobs for a labor pool that was particularly impacted by the economic downturn. At the same time, 179D helps reduce our nation's dependence on foreign oil, thereby increasing America's energy security.

Jobs

Energy efficiency projects require enormous skilled and semi-skilled work forces. By cost-justifying projects, EPAct therefore plays a direct role in supporting a major source of employment in our state.

Lighting retrofits require lighting designers, laborers to remove and dispose existing fixtures, distribution centers to store the new lighting material, laborers to stage the new material near the job site and electricians to install the new fixtures.

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HVAC retrofits require engineers for project system design, substantial U.S. manufacturing activity (most HVAC equipment is heavy and made in the U.S.), U.S. steel procurement and HVAC mechanics to install.

The building envelope involves a wide variety of manufactured and workshop materials including roofs, walls, windows, doors, foundations and insulation. In addition to the labor required to create these products, large numbers of roofers, carpenters, installers and laborers are needed to handle the material and incorporate it into a building.

In addition, reduced building expenses allow for the retention of jobs on the building owners' end.

Energy Security

Our nation's goal of becoming energy independent cannot be achieved through domestic oil and natural gas production alone. Energy Efficiency is an untapped natural resource. Commercial Buildings represent 20% of our nation's energy use. "Drilling" for building energy efficiency is the least costly natural resource we have. For building owners, the upfront cost of retrofitting is expensive, but with utility and government assistance working together with building owners, energy use reductions between 20% and 50% can be obtained.

Commercial building energy efficiency is a critical way by which utilities can meet newly established national guidelines for carbon emission reductions. By improving the cost benefit equation of an energy efficiency retrofit, Section 179D thereby plays an important role in helping utilities comply with national policy while simultaneously reducing the need for the construction of costly new power plants.

Looking Ahead

Today, taxpayers and industry understand how to prospectively use 179D to achieve the greatest possible energy reduction far better than they did eight years ago. This extension will empower our country to realize major energy efficiency gains and will not represent a material cost to Treasury. With the use of dynamic scoring the efficiency gains will increase taxable income over time for commercial building owners, and thereby reducing Treasury's losses from accelerating the depreciation. The tax collected from added profits obtained through energy savings quickly outweigh the foregone tax revenue created by 179D.

Conclusion

Section 179D supports a key investment in the American economy: energy efficiency. Energy efficiency is a force-multiplying investment that saves energy, saves money, and sustains and

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creates American jobs. Comprehensive energy efficiency upgrades drastically improve the reliability and performance of the nation's building stock, while reducing demand on our energy supply. We urge you to include multi-year extension of EPAct 179D in upcoming legislation.

Sincerely,

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