Committee On Finance

Max Baucus, Ranking Member

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BAUCUS SUCCEEDS IN MOVING ENERGY TAX PACKAGE FORWARD IN COMMITTEE

Senator's $20 B Bill Will Balance Production, Conservation

(WASHINGTON, D.C.) U.S. Senate Finance Committee Ranking Member Senator Max Baucus, today joined Chairman Charles Grassley in marking up and passing their Energy Tax Incentives Act through the committee. The $20 billion bill is a balanced package of tax incentives aimed at promoting both traditional and alternative energy resources, while also encouraging conservation.

"It's very important to the American people that we continue to search for new energy sources and focus on conservation at the same time," Baucus said at today's hearing. "The more we can work toward developing new energy technologies, the better shape we'll be in. This strong bill will help avoid energy crises we've seen in the past, such as the rolling blackouts in California. I look forward to moving this bill quickly through Congress."

Provisions of the energy tax bill include:

- **Renewables:** Expand and extend tax incentives for renewable energy production, including extending the wind energy production tax credit until 2007, and expand tax credit to include solar, geothermal and additional types of biomass energy production.
- **Alternative Fuels and Vehicles:** Provide incentives for use of alternative fuels and use of hybrid/alternative fuel vehicles.
- **Conservation and Energy Efficiency:** Provide tax credits for the production of energy efficient homes, commercial buildings, and appliances, as well as the residential use of fuel cells, solar and wind energy equipment.
- **Clean Coal:** Provide tax credits for the use of clean coal technology.
- **Oil and Gas:** Include production credits for traditional oil and gas.
- **Electric Utility Restructuring:** Ensure that cooperatives continue to receive tax-exempt status despite deregulation.
- **Alaska Natural Gas Pipeline:** Provide incentives for the construction of a natural gas pipeline to transport Alaska's natural gas to markets in the rest of the U.S.
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The bill also includes a provision to strengthen the Highway Trust Fund by funneling all ethanol taxes collected to the Highway Trust Fund, while providing the ethanol tax credit from the General revenue fund. This change could result in an additional $2 billion annually to the Highway Trust Fund to finance highway and transit projects.

<u>Other Committee Action:</u>

- In addition to the energy bill, the committee also approved the nomination of Mark Everson as Commissioner of the Internal Revenue Service.
- Four nominations for the position of Judge of the U.S. tax court were also approved: Harry A. Haines, Diane L. Kroupa, Robert Allen Wherry, Jr., Joseph Robert Goeke, and Mark Van Dyke Holmes. Raymond T. Wagner, Jr., was approved to be Member of the Oversight Board, U. S. Department of Treasury.
- The Committee voted unanimously in support of the Clean Diamonds Trade Act. The bill implements the United States' commitments under the international Kimberley Process. That process aims to end world trade in "conflict diamonds," which has been associated with widespread humanitarian and human rights violations. As reported, the bill includes Senator Baucus's amendment to ensure a coordinated government implementation effort.

-- Statement Follows –

Markup of Energy Tax Incentives Act, Clean Diamonds Trade Act, and Tax Court Modernization Act

Nominations for IRS Commissioner, IRS Oversight Board, and Tax Court Judges

Chairman Grassley, I want to thank you for swiftly moving forward on the nomination of the IRS Commissioner, a member of the IRS Oversight Board and five new judges for the U.S. Tax Court. Each of these candidates are well-qualified and I intend to fully support their nomination.

I also commend you for holding today's markup on three important pieces of legislation -- Energy Tax Incentives Act, the Clean Diamonds Trade Act, and the Tax Court Modernization Act. Each of these pieces of legislation were put together with broad bipartisan cooperation and support.

The energy tax incentives included in the Chairman's mark are important parts of the nation's broader energy policy. These tax provisions are similar to the energy tax bill that won overwhelming bipartisan support on the Senate floor in April of 2002. I was disappointed that we did not get a conference agreement last year. I am hopeful that this year we will see these provisions signed into law.

Mr. Chairman, I also want to reinforce your remarks about the need for incentives to boost energy production and promote conservation. Last year's bill was, in part, a response to an energy crisis that caused rolling blackouts in California. The effects of that situation were so widespread, and so severe, it constituted a national emergency. No state escaped the effects of that energy crunch.

Today, we face uncertainty in world oil markets during a time of war. Energy and gasoline prices have soared to record levels. Unfortunately, it is not clear when this situation will improve.

Americans understand the sacrifices that come with conflict. Folks back home in Montana are most concerned about our troops. But they also feel the crunch of high energy prices. If we can do more to provide reliable energy from domestic sources, they want us to act. If we can ease our reliance on foreign oil, now is the time.

To do that, this bill proposes a balanced package of tax incentives aimed at promoting production of both traditional and alternative energy resources, while also encouraging energy conservation.

These tax incentives were designed to provide an effective way to advance our broader energy goals. They were also designed to serve as compliments to any energy policy provisions taken up by the Energy Committee.

First, we start with the premise that we can accomplish energy policy goals by targeting market incentives at certain investments — in the form of tax deductions and credits.

Second, in crafting these incentives we have been mindful to strike a balance between conservation and production. Responsible energy policy recognizes the importance of both of these goals.

Third, these tax incentives will also reward and help advance certain technologies and further technological development. This will have a longer-term stimulative effect on America's economy.

Before I turn to the other pieces of legislation before us today, I turn to an energy related issue. For the past three years I have worked with the highway industry and the ethanol industry to develop a compromise solution for the losses the Highway Trust Fund experienced due to the ethanol subsidy. I am delighted to announce that we have finally reached a solution. And Chairman Grassley, I thank you for your support in working out this compromise. I have a letter of support for the Grassley-Baucus proposal from both of these industries that I ask to be included in the record.

The result of the Grassley-Baucus proposal is that all excise taxes collected would be deposited in the Highway Trust Fund. Additionally, all credits accrued for the purchase of renewable fuels will be based on actual gallons purchased that displace fossil fuel. As such, two important national priorities would be achieved: ensuring all users of the nation's highway network contribute equally to its improvement and decreasing U.S. dependence on imported fuel.

I now want to turn to another timely and important piece of legislation – the Clean Diamonds Trade Act. This legislation is aimed at ending world trade in – what are called "conflict diamonds." Trade in these diamonds perpetuates humanitarian and human rights violations. Through the Kimberley Process, the diamond trading countries of the world have come together to seek a solution. Now, it is Congress's turn to act.

This legislation brings the United States in line by implementing our obligations under the Kimberley Process. It allows us to play a strong role in bringing conflict diamond trade to an end once and for all.

The bill before us today has been years in the making. It is the result of a bicameral, bipartisan process. I want to thank Chairman Grassley for making this a reality. I also want to commend my colleagues, Senators Durbin, DeWine, Feingold, Bingaman, Leahy, and Gregg, who have worked diligently on this issue. Finally, I want to recognize the efforts of the diamond industry and the many NGOs who have worked hard to find common ground in this legislation.

There is one outstanding issue in this legislation – the issue of which agency will be in charge of implementation – but I am confident we can work together to resolve this issue.

The third piece of legislation in today's mark-up is the Tax Court Modernization Act S. 753. In 1969, Congress elevated the U.S. Tax Court as a Federal court of record under Article I of the Constitution of the United States. Congress created the Tax Court to provide a judicial forum in which affected persons could dispute tax deficiencies determined by the Commissioner of the Internal Revenue Service prior to payment of the disputed amounts. That means that the Tax Court's jurisdictional requirements are, in part, recognition that lower and middle income taxpayers cannot necessarily pay the tax deficiency before taking their dispute to court.

Congress also closely linked the legislation governing the Tax Court with the laws governing the Article III District Courts. Unfortunately, the tax writing committees did not keep pace with the changes to Article III courts. Thus, the provisions in the mark are designed to restore parity between the Tax Court and Article III courts, and to modernize their personnel and pension systems.

It is my hope that the Finance Committee favorably reports both of these pieces of legislation. I also hope that Majority Leader Frist and Minority Leader Daschle bring both measures to the floor for swift passage.