

July 26, 2013

The Honorable Max Baucus  
Chairman, Senate Finance Committee  
511 Hart Senate Office Building  
Washington, D.C. 20510

The Honorable Orrin G. Hatch  
Ranking Member, Senate Finance Committee  
104 Hart Senate Office Building  
Washington, D.C. 20510

Dear Chairman and Ranking Member,

The Biomass Thermal Energy Council (BTEC) appreciates the opportunity to share its perspective on federal energy tax policy in the context of comprehensive tax reform. BTEC is an association of biomass fuel producers, forest landowners, appliance manufacturers, combined heat and power project developers, supply chain companies and non-profit organizations that view biomass thermal energy as a renewable, responsible, clean and energy-efficient pathway to meeting America's energy needs. BTEC engages in research, education and public advocacy for the biomass thermal energy sector.

### **Tax Parity**

Our nation's tax code has long played a key role in shaping and influencing national energy policy. In the renewable energy arena, the code features numerous incentives for most renewable energy technologies in residential, commercial, and industrial installations (Internal Revenue Code Sections 25D and 48 key among them). In its analysis, the Joint Committee on Taxation listed approximately 80 separate energy-related tax provisions in existing law. Unfortunately, none of these incentives extends to high efficiency biomass thermal energy (used to heat homes, businesses and deployed in industrial settings), despite the fact that biomass thermal energy fulfills all the same public policy objectives as other renewable energy sources, and that the Internal Revenue Code recognizes other thermal technologies such as solar and geothermal. The end result is an unlevel energy landscape that promotes certain technologies over others, both limiting consumers' energy choices and their ability to utilize local fuels from landowners and farmers.

There is legislation now pending in the Senate—S. 1007 (The Biomass Thermal Utilization (BTU) Act)—that simply offers tax parity to highly efficient biomass thermal energy in the existing tax code. There are many positive economic implications that arise from this policy proposal. A recent report shows that this bill will actually create net revenue for the nation, making the provision pay for itself, and then some. Additionally, the same report notes that with every 5,500 homes that convert to biomass, 1,580 jobs will be created, stimulating local economies around the country.

Harnessing the potential of biomass thermal energy can increase rural economic development, job creation, and energy savings. When oil hit nearly \$4 per gallon in the winter of 2012, biomass thermal users experienced cost savings of nearly 50% through using fuels that came from their communities, forests, and fields. The main hurdle that is discouraging businesses from converting to biomass thermal systems is the upfront capital costs of conversion. By equalizing all energy tax incentives, Congress can break down that barrier and accelerate deployment of the best biomass thermal technologies to oil-dependent businesses.

**Recommendation**

The nation's current fiscal environment necessitates that taxpayer dollars be handled in a manner that maximizes return on investment. BTEC believes that investment in technologies like biomass thermal that achieve optimal efficiency and job creation potential should be a focus of comprehensive tax reform efforts moving forward.

In time, with increasing market penetration, these incentives can be scaled down or eliminated. As an example, in Europe, there is a thriving biomass heating movement that employs tens of thousands of people – and the supply of these fuels continues to be cost competitive, even without ongoing government subsidies. This manufacturing and rural economic success can easily be replicated and improved upon domestically. The BTU Act satisfies the three objectives that Committee leadership laid out in its outreach to Members: the proposal grows the economy, makes the tax code fairer, and will deliver environmental benefits in the form of cheaper, more efficient energy while creating markets that help keep working forests working. We look forward to working with the Committee as it continues its work on this critical effort.

Respectfully submitted,



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cc: Members of the Senate Finance Committee