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Baucus Unveils Proposal for Energy Tax Reform

Chairman Calls for Input on Streamlined Set of Energy Incentives

WASHINGTON – Senate Finance Committee Chairman Max Baucus (D-Mont.) today unveiled the latest package in a series of proposals to overhaul America's tax code. This staff discussion draft focuses on streamlining energy tax incentives so they are more predictable and technology-neutral.

"**It is time to bring our energy tax policy into the 21st century,"** Senator Baucus said. **"Our current set of energy tax incentives is overly complex and picks winners and losers with no clear policy rationale. We need a system of energy incentives that is more predictable, rational, and technology-neutral to increase our energy security and ensure a clean and healthy environment for future generations."**

The discussion draft released today focuses on reforming the current set of energy related tax preferences. Under current law, there are 42 different energy tax incentives, including more than a dozen preferences for fossil fuels, ten different incentives for renewable fuels and alternative vehicles, and six different credits for clean electricity. Of the 42 different energy incentives, 25 are temporary and expire every year or two, and the credits for clean electricity alone have been adjusted 14 times since 1978 – an average of every two and a half years. If Congress continues to extend current incentives, they will cost nearly $150 billion over 10 years.

To address these issues, the staff discussion draft proposes a smaller number of targeted and simple energy incentives that are flexible enough to accommodate advances among fuels and technologies of any type – whether renewable, fossil, or anything in between. These proposals are intended to promote domestic energy production and reduce pollution. Specifically, the discussion draft offers proposals to:

- Establish a new, technology-neutral tax credit for the domestic production of clean electricity
- Establish a new, technology-neutral tax credit for the domestic production of clean transportation fuel
- Consolidate almost all of the existing energy tax incentives into these two new credits, with appropriate transition relief
- Provide businesses and investors with more certainty by making the new incentives long enough to be effective, but phasing them out once clearly defined goals have been met

The package of reforms draws heavily from proposals offered by both Republican and Democratic members of the Senate Finance Committee.

Senator Baucus also called for additional feedback from members of Congress, key stakeholders and the general public on the discussion draft. Feedback on the discussion draft is requested by January 31, 2014 and comments can be sent to: Tax_Reform@Finance.Senate.gov.

Last month, Senator Baucus released staff discussion drafts regarding international tax reform, tax administration, and cost recovery and accounting. Summaries and other materials for those drafts can be viewed here.

A detailed summary of the energy tax reform staff discussion draft can be found here, and a one-pager on the draft can be found here.

The full staff discussion draft in legislative language can be found here.

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