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Congressional report explains federal biofuels programs

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Federal support for biofuels flows from the 2008 Farm Bill, the 2007 Energy Bill and a total of 24 separate federal programs established over the past 28 years. Adding to the confusion, these 24 programs are run by five separate federal agencies and departments: the Environmental Protection Agency, the U.S. Department of Agriculture, the Department of Energy, the Internal Revenue Service, and Customs and Border Protection. The support from these five sources flows to a broad mix of recipients, including farmers and rural small businesses, biofuel producers, petroleum suppliers, and fuel marketers.

To sort the complexity out, the Congressional Research Service published a 20-page report this week, "Biofuels Incentives: A Summary of Federal Programs." The report lists all 24 programs, with details including funding and eligibility for both direct and indirect biofuels incentive provisions.

"Ethanol and biodiesel, the two most widely used biofuels, receive significant government support under federal law in the form of mandated fuel use, tax incentives, loan and grant programs, and certain regulatory requirements," the report notes.

"Arguably, the most significant federal programs for biofuels have been tax credits for the production or sale of ethanol and biodiesel." The report forecasts that the Renewable Fuel Standard (RFS) which Congress mandated in the 2005 and 2007 energy bills "may prove even more significant than tax incentives in promoting the use of these fuels."

As an example of the information provided by the CRS report, it notes that under the "Special Depreciation Allowance for Cellulosic Biofuel Plant Property" administered by the Internal Revenue Service:

- A taxpayer may take a depreciation deduction of 50% of the adjusted basis of a new cellulosic biofuel plant in the year it is put in service. Any portion of the cost financed through tax-exempt bonds is exempted from the depreciation allowance. Before amendment by P.L. 110-343, the accelerated depreciation applied only to cellulosic ethanol plants that break down cellulose through enzymatic processes – the amended provision applies to all cellulosic biofuel plants.

- Qualified applicant: Any enzymatic cellulosic ethanol plant acquired after December 20, 2006, and placed in service before January 1, 2013. Any plant that had a binding contract for acquisition before December 20, 2006, does not qualify.

To read the complete 20-page CRS Report R40110, go to:
<http://www.agri-pulse.com/uploaded/CRSbiofuelsJan09.pdf>

#30