Testimony on AB85

Chris Deisinger
Syntropy Energy Solutions
222. S. Hamilton, Suite 14
Madison, WI 53703
608-661-9009
chrisdeisinger@yahoo.com

My name is Chris Deisinger. I am a consultant based in Madison working on clean energy policy and am president of Syntropy Energy Solutions. Although I am delivering this testimony as an individual, it has been developed in consultation with the Union of Concerned Scientists and a coalition of environmental and renewable energy groups that have been meeting to discuss Wisconsin energy policy.

I am here to address assembly Bill 85 which would provide a tax credit, up to $1,000, for the purchase of flex-fuel vehicles capable of running on up to 85% ethanol, or E85. While the intentions of this bill are laudable – promotion of biofuels, energy independence and support for Wisconsin industry – unfortunately the bill as written does not help achieve these intentions and is in fact counterproductive.

I will outline why this is so and why I oppose this bill. However I do this in the spirit of offering cooperation to the sponsors in the hope of developing better biofuel and transportation policy for Wisconsin.

Why is this bill counterproductive?:

- A tax incentive of $1,000 is excessive and unnecessary. The incremental cost of producing a flex-fuel vehicle is $100 at the most. All gasoline-powered vehicles should be capable of being flex-fueled and it shouldn't take a tax credit to either produce or market them.

- The bill does nothing to promote the actual use of ethanol. Only 1% of the fuel used in flex-fuel vehicles is ethanol, according to a recent federal study.

industrial base, increasing energy independence and reducing global-warming emissions.

While we are in opposition to the flex-fuel tax incentive bill, I look forward to further dialogue toward designing a better biofuels and transportation policy for Wisconsin. There are potential policy instruments that could be used to this end, including, for example:

- Feebates that would reward the purchase of more efficient and discourage less efficient vehicles

- A Renewable Fuel Standard that would concentrate on increasing the amount of sustainably derived biofuels used - those produced from cellulosic sources for example.

- A Low Carbon Fuel Standard such as that recently adopted in California

- Tax credits for the purchase of vehicles that are truly efficient and advanced technology and that cannot be used to pad the dual-fuel loophole.

- State support for transitioning Wisconsin's GM production to truly advanced vehicles

- Smart growth and transportation policies to reduce congestion and vehicle miles traveled

These are some suggestions for policies that Wisconsin could adopt. The biofuels industry is growing, but it must be a part of a larger strategy and it will lose support if we do not try our best to get the most miles traveled from every acre harvested instead of wasting them in inefficient vehicles.

Thank you,

Chris Deisinger

Kansas Incentives and Laws

Alternative Fuel Vehicle (AFV) Tax Credit

The state offers an income tax credit equal to 40% of the incremental or conversion cost for qualified AFVs placed in service after January 1, 2005, as outlined in the chart below. Qualified AFVs include vehicles that operate on compressed natural gas (CNG), a blend of 85% ethanol and 15% gasoline (E85), liquefied petroleum gas (LPG), and electric vehicles.

GVWR	Credit
Less than 10,000 lbs.	Up to $2,400
10,000 to 26,000 lbs.	Up to $4,000
Over 26,000 lbs.	Up to $40,000

Alternatively, a tax credit in an amount not to exceed the lesser of $750 or 5% of the cost of the AFV is available to a taxpayer who purchases an original equipment manufacturer (OEM) AFV. This credit is allowed only to the first individual to take title of the vehicle. For motor vehicles capable of operating on E85, this credit is allowed for taxable years after December 31, 1999. **The individual claiming the credit must provide evidence of purchasing at least 500 gallons of E85 between the time the vehicle was purchased and December 31 of the next calendar year.** This tax credit should be deducted from the taxpayer's income tax liability for the taxable year in which the expenditures are made. In the event the credit is more than the taxpayer's tax liability for that year, the remaining credit may be carried over for up to three years after the year in which the expenditures were made. (Reference Kansas Statutes 79-32,201)

Point of Contact

Jim Ploger
Director
Kansas Energy Office
Phone (785) 271-3349
Fax (785) 271-3268
j.ploger@kcc.state.ks.us
http://www.kcc.state.ks.us/energy/alt_fuels.htm

ROBERT W. WIRCH

STATE SENATOR TWENTY-SECOND DISTRICT

April 24, 2007

To: Assembly Committee on Biofuels and Sustainable Energy

From: Senator Bob Wirch

As the Senate lead author of Assembly Bill 85, I wholeheartedly support creating a tax credit for consumers that purchase an E-85 compatible vehicle.

Wisconsin has worked to establish renewable energy sources. Flexible fuel vehicles offer a common sense approach for consumers wary of increasing gas prices by providing the option to choose the type of fuel that is used.

Assembly Bill 85 is good for consumers, but it also good for Wisconsin jobs. Both flexible fuel vehicles and ethanol fuel are being made in Wisconsin. The Daimler Chrysler engine plant in Kenosha produces the engine for the Chrysler Sebring Sedan that is E85 compatible. Farmers across Wisconsin will also benefit from this legislation, as will retailers who sell E-85 fuel.

Once again, thank you for holding a hearing on this important legislation.

State Capitol, P.O. Box 7882, Madison, Wisconsin 53707-7882 • 608-267-8979 • Toll-Free Office Hotline: 1-888-769-4724
Email: Sen.Wirch@legis.state.wi.us • Web: www.legis.state.wi.us/senate/sen22/sen22 • Fax: (608) 267-0984
Home: 3007 Springbrook Road, Pleasant Prairie, Wisconsin 53158 • (262) 694-7379

MICHAEL J. SHERIDAN
STATE REPRESENTATIVE

Testimony on Assembly Bill 85
Assembly Committee on Biofuels and Sustainable Energy

Wednesday, April 25, 2007
300-Northeast, State Capitol

Thank you, Chairman Hahn and Committee Members, for holding this public hearing on Assembly Bill 85. I appreciate this opportunity.

I know that this committee is keenly aware of the potential of biofuels. Biofuels hold the promise of a cleaner environment, prosperity for our farmers, a stronger economy, better jobs for our children, and the return of sanity to our nation's foreign policies after 60 years of crisis in the Middle East. As we move forward, the farm belt will become the bio-belt.

Of course, to talk of the light at the end of the tunnel is premature. Our nation is addicted to fossil fuels like oil and coal, and no matter how hard we try we will never drill our way out of this problem. So, we need to look at how we can chart a course to take us to bright future.

AB 85 would create an income and franchise tax credit of up to $1,000 for the purchase of a new flex fuel vehicle. As you already know, a flex fuel vehicle is a vehicle that can run on normally formulated gasoline or on E-85, a blend of 15% gasoline and 85% ethanol. If passed and signed into law, AB 85 would automatically sunset after five years. This will allow the Legislature the opportunity to reexamine this issue, determine if this strategy has been effective, and look at technological developments that should be addressed as advances are made.

As someone with a background in the auto industry, I should point out that flex fuel vehicles are being produced by both of Wisconsin's auto manufacturers. The Daimler-Chrysler engine plant in Kenosha is producing flex fuel capable engines for the Chrysler Sebring. The General Motors plant in Janesville is producing flex fuel capable Tahoes and Suburbans. I drove my flex fuel Tahoe here this morning on E-85. AB 85 sends a clear indication of our commitment to these manufacturers and their importance to our state's economy.

I know that there are concerns that while AB 85 gives a clear incentive to consumers to purchase a flex fuel vehicle, the bill does not specifically encourage the use of E-85 instead of gasoline. I understand and appreciate this concern. I am open to any ideas to provide consumers with incentives to do both.

I should point out that corn-based ethanol is a first stage technology. With new technologies like cellulosic ethanol that are being developed, the efficiency of ethanol production will increase

STATE CAPITOL ♣ P.O. BOX 8953 ♣ MADISON, WI 53708
(608) 266-7503 ♣ TOLL-FREE: 1-888-947-0044 ♣ FAX: (608) 282-3644
E-MAIL: rep.sheridan@legis.wi.gov

dramatically. The question of a struggle between food and fuel will also be addressed as technology advances and other sources like switch grass, corn stalks, and saw dust become useful in the production of ethanol.

I recognize that there is also considerable interest in promoting hybrid vehicles. I would like to point out that no auto manufacturer is making hybrid vehicles in Wisconsin and that two Wisconsin companies produce flex fuel vehicles. In fact, the Janesville GM Plant is in competition with a GM plant in Arlington, Texas. Both facilities produce Chevy Tahoes and Suburbans, but the Arlington plant makes hybrids while the Janesville plant makes flex fuel vehicles. So, in a sense, every hybrid Tahoe that is sold is one less flex fuel Tahoe that is made. In addition, the federal government has been offering and may choose to renew a much more generous tax credit for the purchase of a hybrid vehicle. If passed and signed into law, AB 85 would still not put flex fuel vehicles on the same level of government incentives as hybrid vehicles. In any case, I believe that we will soon see flex fuel capable hybrids (or hybrid-enhanced flex fuel vehicles, depending on how they are marketed).

In closing, I ask this committee to consider several issues as it moves forward. We need to create consumer, research, and investor incentives to help develop a market for these technologies before we pass peak oil production. AB 85 would create a consumer demand for flex fuel vehicles. Next, we need incentives for consumers to choose E-85 over gasoline (price spikes this summer may easily do this for us). After that, we need to look at helping the new Wisconsin Office of Energy Independence to help gas station owners install E-85 pumps by streamlining the permitting process. We also have to encourage the use of biofuels in larger vehicles like semi-trucks. Finally, we need to encourage farmers, researchers, and investors to find cleaner and more efficient methods of creating biofuels from the field to the pump. To borrow an analogy, AB 85 is not a silver bullet, but it is one piece of silver buckshot.

Thank you again for the opportunity to speak here today. I am happy to answer any questions you might have.

State of Wisconsin • **DEPARTMENT OF REVENUE**

2135 RIMROCK RD. • P.O. BOX 8933 • MADISON, WISCONSIN 53708-8933
PHONE (608) 266-6466 • FAX (608) 266-5718 • http://www.revenue.wi.gov

Jim Doyle
Governor

Roger M. Ervin
Secretary of Revenue

Committee on Biofuels and Sustainable Energy Hearing, April 25, 2007

AB 85 – Provide an Income Tax Credit for Sales Tax Paid on Purchases of Flexible Fuel Vehicles (Rep. Sheridan)

Description of Current Law and Proposed Change

The bill creates an income and franchise tax credit for the amount of sales and use taxes paid on the purchase of a new motor vehicle that is licensed for highway use and is capable of using both gasoline and a mixture of gasoline and at least 85% ethanol (E85) as fuel. The credit may not exceed $1,000 per vehicle purchased, and may be claimed for taxable years beginning in 2008 through 2012.

Fairness/Tax Equity

- The bill provides a credit for sales tax paid on flexible fuel vehicles (FFVs) even if regular gasoline is used to power the vehicle.
- The bill promotes the public policy goal of using renewable resources.

Impact on Economic Development

- To the extent that the bill encourages increased ethanol consumption, the demand for corn would also increase, potentially benefiting farmers and motivating investment in ethanol production facilities.
- Since FFVs can run on regular gasoline, the bill's effectiveness in promoting ethanol consumption is unknown.
- To the extent gas station operators install new tanks and pumps to sell an ethanol-gasoline mixture, there would be additional investment due to the bill.

Administrative Impact/Fiscal Effect

- The bill would provide a complex system of providing tax benefits. A nonrefundable credit for sales tax paid would provide tax benefits only after a tax return is filed, and, then, only if the purchaser has tax liability.
- The credit would reduce income and franchise tax revenues by an estimated $18 million in FY09. If the number of sales were to increase over the period that the credit is in effect, the estimated fiscal effect would also increase.

Committee on Biofuels and Sustainable Energy
4/25/07

Good morning and thank you on behalf of the American Lung Association of Wisconsin and the National Ethanol Vehicles Coalition, partners in the effort to improve air quality through the use of renewable biofuels.

Drive less, use less, use cleaner traditional and alternative fuels.

E85 is an official "Clean Air Choice" of the ALA/UM.

Motor vehicles are the number one source of air pollution.

Pollutants that affect respiratory health include ozone and particle pollution. Motor vehicle emissions contribute to both.

Over 201,000 residents of SE WI suffer from some form of lung disease – asthma, chronic bronchitis, emphysema; over ½ million children in SE WI are exposed to ozone levels that exceeds the standards set by the EPA for human health. Those standards were set in 1997 and are under review today. We expect the new standard to be even more stringent, based on new scientific data.

E85 creates lower levels of both evaporative and tailpipe emissions, compared with traditional fuels and represent one important piece of a larger plan to improve air quality.

E85 also produces lower levels of VOC's and Nitrogen Oxides (both contributors to ozone), Carbon Monoxide, Sulfates, Air Quality Toxins (the "enes") and greenhouse gases.

Over 70 stations in WI now offer E85 with a heavy overall concentration in the Midwest, due to our large agricultural industry. Approximately 200% growth in WI in past year with numerous other station openings planned for 2007.

Other efforts include exit signs indicating availability of E85.

One suggested amendment – tie in tax incentive to actual purchase and use of fuel as per Kansas document distributed.

Thank you for your time and attention.

VOC – -15%
CO – -40%
PM – -20%
NO_x – -10%
Sulfate – -80%

GHG – -25%
Toxics – -40%