



For Immediate Release
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Finance Committee Leaders Detail Elements of Farm Bill Tax Package

Washington, DC - Senate Finance Committee Chairman Max Baucus (D-Mont.) and Ranking Member Chuck Grassley (R-Iowa) today detailed specific elements of the agriculture tax package included in the Senate's recent offer to House conferees in ongoing farm bill negotiations. Baucus and Grassley, who are also senior members of the Senate Agriculture Committee, crafted the agriculture tax package in the Senate farm bill to convert a number of conservation payment programs into fully-offset tax credit programs, to offer additional incentives for rural economic development and energy-related tax relief to aid agricultural producers, and to free up previously obligated spending funds for the Agriculture Committee to use elsewhere in farm bill spending. The measures received overwhelming Senate support in a December vote on the overall farm bill.

Senate and House conferees will meet this afternoon to continue farm bill negotiations. Highlights of the tax elements in the current Senate offer are as follows, with estimated costs. Provisions include, but may not be limited to:

Agriculture Tax Provisions **\$2.5 billion**

Conservation Provisions **\$1.7 billion**

Tax Relief for Retired and Disabled Farmers **\$200 million**
Provides that CRP payments to retired or disabled individuals are to be treated as rental payments for tax purposes and are therefore excluded from self-employment taxes from a trade or business. As a result, these payments will not be used to calculate any potential reductions in retirement or disability checks.

Extend Tax Benefits for Conservation Contributions **\$100 million**
Extends for two years the enhanced tax incentive for contributions of conservation easements included in the Pension Protection Act.

Endangered Species Recovery Creates tax incentives for taxpayers who take voluntary measures to aid in the recovery of species that are either threatened, endangered, or deemed to warrant protection.	\$800 million
Timber Provisions Includes tax incentives to help timber companies remain competitive globally.	\$600 million
<u>Agriculture/Rural Business Incentives</u>	\$800 million
Encourage Farmland to Stay in Production Improves “Aggie Bonds,” tax-exempt bonds that provide low-interest loans for first-time ranchers and farmers, and helps retiring farmers be able to sell their land to young farmers.	\$280 million
Ag Business Security Credit Helps agricultural businesses afford the increasing expenses of securing agricultural chemicals and pesticides.	\$ 14 million
Livestock Industry Incentives Includes tax incentives to help make more medications available to veterinarians and owners of minor species (such as sheep, goats, aquaculture), and brings capital gains treatment for equine property in line with general holding periods.	\$500 million
Agricultural Equipment Depreciation Helps make important farm equipment more affordable by shortening the recovery period for certain farm equipment and machinery to five years.	no net cost
<u>Energy Tax Provisions</u>	
Residential Wind Credit. pending Creates 30% investment tax credit (capped at \$4,000/yr) for qualified residential and commercial applications of small wind energy property, not to exceed 100 kilowatts. Credit is allowed for 2009.	Estimate

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Cellulosic Biofuels Credit.

Estimate

Pending

Creates a new production tax credit for cellulosic biofuels, per the December 2007 *Clean Renewable Energy and Conservation Tax Act*. Amount of credit is equal to the difference between \$1.01 per gallon and the per-gallon ethanol blender tax credit (currently 51¢ per gallon). For example, this credit would be \$1.01 per gallon if the ethanol blender credit were to expire; credit would be 55¢ per gallon if the ethanol blender credit were reduced to 46¢ per “ethanol credit modification” below. The credit could be claimed on up to 60 million gallons per taxpayer, and would be available through 2013.

Biodiesel/Renewable Diesel Credits:

\$537 million

Extends through 2009 the \$1/gallon and 50¢/gallon biodiesel credits, as well as the 10¢/gallon credit for first 15 million gallons of biodiesel from ‘small producers.’ Adds camelina to the list of agri-biodiesel (\$1/gallon credit) sources. Also extends the \$1.00 renewable diesel credit through 2009, while adding jet fuel as a qualifying use of renewable diesel. Caps, on a per-facility basis, the renewable diesel credit at 60 million gallons per year of co-produced fuel, effective for fuel sold or used after the date of enactment.

Ethanol Credit Modification:

Raises

\$1.005 billion

The Energy Policy Act of 2005 mandated that gasoline contain 7.5 billion gallons of renewable fuel annually by 2012. This proposal reduces the 51¢/gallon credit for ethanol by 5¢ in the year after which the 7.5 billion-gallon threshold is reached. This proposal is the same as the December 2007 *Clean Renewable Energy and Conservation Tax Act*.

Other energy items include a series of provisions from the Senate-passed farm bill, including a new credit for small wind power; extension of the ethanol tariff; and a provision to exclude denaturant from calculation of the alcohol fuels credit. These provisions are expected to raise approximately \$150 million over 10 years.

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