



Written testimony of the

Biotechnology Innovation Organization

Submitted to the United States House of Representatives
Committee on Ways and Means Tax Policy Subcommittee
Post Tax Reform Evaluation of Recently Expired Tax Provisions
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Chairman Buchanan, Ranking Member Doggett, and Members of the Subcommittee, the Biotechnology Innovation Organization (BIO) is pleased to submit a statement for the record to the United States House of Representatives Committee on Ways and Means Tax Policy Subcommittee hearing on "Post Tax Reform Evaluation of Recently Expired Tax Provisions."

Executive Summary

The Biotechnology Innovation Organization (BIO) supports a seamless multi-year extension for the following tax incentives:

- Second Generation Biofuel Producer Tax Credit
- Special Depreciation Allowance for Second Generation Biofuel Plant Property
- Biodiesel and Renewable Diesel Fuels Credit
- Alternative Fuel Vehicle Refueling Property

BIO also supports the extension and expansion of the tax code to include:

- Qualifying Renewable Chemical Production or Investment Tax Credit
- Master Limited Partnerships (MLP) to Advanced Biofuel and Renewable Chemicals

Introduction

BIO is the world's largest biotechnology trade association representing more than 1,000 biotechnology companies, academic institutions, state biotechnology centers and related organizations across the United States and in more than 30 other nations. BIO members are involved in the research and development of innovative healthcare, agricultural, industrial and environmental biotechnology products. Our members are working every day to solve the greatest challenges facing society – whether it is finding a cure for cancer, protecting the public against bio-terror



threats, feeding hungry people nutritious food, or generating renewable fuels, renewable chemicals and biobased products.

Within its broad membership, BIO's Industrial and Environmental Section (IES) member companies are developing new agricultural and low-carbon feedstocks, industrial enzymes, and biological catalysts for the conversion of biomass into advanced biofuels, alternative jet fuels, renewable chemicals, and biobased products. Utilizing the power of industrial biotechnology, companies across the country are creating a robust biobased economy. Biobased production encompasses a complex value chain, from agriculture through the manufacture of consumer goods, that provides an alternative to the petroleum-based value chain and that brings environmental, economic and other benefits. The biobased economy can generate new markets for agricultural producers, boost innovation in domestic manufacturing, and stimulate sustainable economic growth.

Biofuels Tax Incentives

The biofuel tax provisions that expired at the end of 2016 and were extended retroactively for 2017 are critical to BIO's IES members. Particularly the Second Generation Biofuel Producer Tax Credit (PTC), the Special Depreciation Allowance for Second Generation Biofuel Plant Property, the Biodiesel and Renewable Diesel Fuels Credit, and the Alternative Fuel Vehicle Refueling Property Credit.

While BIO and its member companies are grateful Congress extended these provisions through 2017, the continued short-term extension of these incentives has created uncertainty for investors and the industry about the availability of these credits; jeopardizing the long-term investments necessary for the development of advanced and cellulosic biofuels. Availability of these credits are critical as our companies make significant investments to create new agricultural supply chains, build infrastructure for liquid biofuels, and develop innovative new technologies. These credits have enabled our industry to create new jobs, contribute to rural prosperity, and diversify our nation's energy supply. However, the continued delays in extending these credits puts these investments and benefits at risk.

Ensuring further growth in the advanced and cellulosic biofuels industry will require additional support and greater policy certainty going forward. As such, we encourage the Congress to advance a multi-year extension of advanced biofuel tax. Motor fuel markets are not free markets. The oil industry receives permanent federal subsidies and tax breaks that give incumbents a market advantage over renewable fuels if not remedied by the counter balancing incentives described above. Temporary extensions are not enough to create parity, but they help bridge the gap to comprehensive energy tax reform. Allowing these tax credits to expire in the near term would be premature, and would significantly limit the growth in the domestic advanced and cellulosic biofuels industry and undermine all the positive contributions the industry has made to national security, the economy, and the environment to date.



We are well aware of the financial constraints facing this country. However, the United States' global competitors are offering tax incentives for advanced biofuels and are attracting construction of new facilities. Extending these tax incentives for advanced biofuels ahead of the expiration date will avoid creating uncertainty for investors and companies trying to raise capital at a minimal cost to the federal government. The cost of a one-year extension for the Second Generation Biofuel PTC is \$11 million over 10 years and the cost of an extension over 10 years is \$317 million.

Renewable Chemical and Biobased Products

Renewable chemicals and biobased products derived from renewable biomass represent a historic opportunity for revitalization of U.S. chemical manufacturing. The U.S. has the potential to become the world leader in renewable chemicals and biobased product manufacturing, as we are currently home to most of the world's advanced renewable chemicals technology and intellectual property and have access to a wide range of sustainably produced renewable biomass. An investment in renewable chemicals will pay strong dividends in the future of U.S. chemical manufacturing while advancing the goals of quality domestic job creation and domestic advanced manufacturing, improved trade balance, and maintaining U.S. leadership in clean energy and manufacturing technologies.

To realize the full potential of the domestic renewable chemicals industry, existing renewable energy, manufacturing, or environmental tax incentive regimes should be opened to renewable chemicals. By providing a federal income tax credit for domestically produced renewable chemicals, Congress can create domestic jobs and other economic activity and can help secure America's leadership in the important arena of green chemistry.

The bipartisan Renewable Chemicals Act of 2017, H.R. 3149 and the Senate companion bill, S. 1980 offer a strong model for implementation of this proposal.

Extension and Expansion of Master Limited Partnerships (MLP) to Advanced Biofuel and Renewable Chemicals

Sectors of the fossil energy industry are able to benefit from using the advantages of a publicly traded MLP. The renewable chemicals industry and the renewable energy sector (including advanced biofuels companies) cannot. The publicly traded MLP structure reduces a company's tax burden, enables access to capital at lower cost, and increases liquidity. Access to capital is critical to the success of emerging industries, particularly as they develop their infrastructure. BIO supports legislation to allow the advanced biofuels and renewable chemical sectors to be able to operate as publicly traded MLPs. This would provide parity and level the playing field among the different industry sectors.



The bipartisan Master Limited Partnerships Parity Act, H.R. 4118 Representatives Ted Poe (R-TX) and Mike Thompson (D-CA) and its Senate companion, S. 2005 offers a strong model for implementation of this proposal.

Conclusion

In the interest of job creation, infrastructure development, innovation, and energy security, we respectfully ask Congress to immediately pass a seamless multi-year extension the Second Generation Biofuel PTC and the suite of other biofuel tax incentives; along with the parity for biofuels and renewable chemicals in the MLPs and tax incentives for renewable chemical production. These provisions are essential ingredients in any effort to accelerate the commercialization of advanced biofuels, renewable chemicals and biobased products. We ask that you include these provisions in any tax extenders package. Thank you for your consideration.