

June 13, 2019

Letter to Senate Finance Committee Energy Working Group

Senator John Thune (R-SD), *Co-Lead*
Senator Pat Roberts (R-KS)
Senator John Cornyn (R-TX)
Senator Bill Cassidy (R-LA)

Senator Debbie Stabenow (D-MI), *Co-Lead*
Senator Thomas Carper (D-DE)
Senator Sheldon Whitehouse (D-RI)
Senator Maggie Hassan (D-NH)

Honorable Members of the Senate Finance Committee Energy Working Group:

As you develop long-term policy to address extension of energy tax provisions, the undersigned 140 organizations and businesses respectfully request that you include consideration of S.628, the Biomass Thermal Utilization Act of 2019. We invite the members of the Energy Working Group to support this legislation to help strengthen American energy independence, address forest health and fuel hazard crises through creation of new markets for low grade wood, lower greenhouse gas emissions, create jobs, and stimulate local economic development across America.

Co-sponsored in the Senate by Senator Susan Collins, Senator Angus King, Senator Jeanne Shaheen, Senator Maggie Hassan and Senator Patrick Leahy, the “BTU Act” extends to high efficiency, clean wood heating systems the investment tax credits that currently exist for every other renewable energy technology. Legislation similar to S.628 has been introduced every session of Congress since 2009 in an effort to address this omission from the 2005 Energy Policy Act, which codified investment tax credits for renewable energy technologies under sections 25D and 48 of the IRS Code.

Specifically, the BTU Act provides for a 30% investment credit against installed capital cost for residential biomass heating installations (IRC section 25D), and a 15% or 30% credit against installed capital cost for business installations, depending on level of efficiency met by the system (IRC section 48).

Many federal renewable energy investment tax credits were extended as part of the Tax Cuts and Jobs Act at the end of 2017 and others left out of that package were renewed as part of the budget deal in early 2018. Your study group is considering whether, or to what extent, to reauthorize these credits during the 116th Congress. One aspect of energy tax credits that has been troubling to us is that the investment credit provisions recognize some renewable thermal technologies (e.g. solar and geothermal) but not biomass thermal. Yet the code does recognize investments made in generation of electricity from biomass. We ask you to consider a long-term energy tax policy that does not pick winners and losers but gives equal consideration to all qualified renewable energy technologies, including those for thermal energy, which represents about one-third of total energy consumption in America.

Your consideration of S.628 will send a powerful signal that advanced wood heating technology, such as that embraced in many cold, forested regions of the country, is deserving of parity tax

treatment like that enjoyed by solar thermal, geothermal and all other renewable energy technologies.

Harnessing the potential of biomass thermal energy can increase rural economic development, job creation, and energy savings. When other heating fuels hit record highs in recent winters, modern wood heating systems provided cost savings of nearly 50% through utilizing fuels that come from our productive forests. The main hurdle that is precluding homeowners and businesses from converting to biomass thermal systems is the upfront capital costs of conversion. By granting a modest investment credit, Congress can break down that barrier and kickstart market uptake of the advanced wood heating technologies. The BTU Act seeks only a five-year authorization, through the 2023 tax year.

We ask your support for this legislation as you complete your charge and forward recommendations to your colleagues on the Senate Finance Committee.

Thank you for your consideration.

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