

Ways and Means Republicans seek stakeholder comments on Inflation Reduction Act's biofuel producer tax credits

Six Republican members of the House Ways and Means Committee released a letter on November 18 requesting comments from stakeholders on how the biofuel tax credits enacted in the Inflation Reduction Act of 2022 (P.L. 117-169) could be improved to support domestic energy production and rural economic development.

URL: <https://feenstra.house.gov/sites/evo-subsites/feenstra.house.gov/files/evo-media-document/11-18-24%20WM%20Request%20for%20Information%20on%20Biofuel%20Tax%20Policy.pdf>

URL: <https://www.congress.gov/117/plaws/publ169/PLAW-117publ169.pdf>

Signers on the letter include House GOP taxwriters Adrian Smith of Nebraska, Randy Feenstra of Iowa, Michelle Fischbach of Minnesota, Darin LaHood of Illinois, Carol Miller of West Virginia, and Claudia Tenney of New York.

The Inflation Reduction Act extended the prior-law biodiesel tax credit under section 40A through December 31, 2024. It also created two new temporary credits: a sustainable aviation fuel tax credit (under section 40B) available from January 1, 2023, through December 31, 2024, and a clean fuel production credit (under section 45Z), available from January 1, 2025, through December 31, 2027.

According to the six GOP taxwriters, there has been bipartisan support for modernizing biofuels credits, but issues with how the Inflation Reduction Act provisions were drafted by congressional Democrats (the measure moved under budget reconciliation rules without support from any Republicans) and how they have been implemented by the Biden-Harris administration have created problems along the supply chain.

Among other concerns, the taxwriters note that certain provisions in the credits were drafted in ways that “fail to consider American agricultural producers, taking into consideration . . . domestic value-addition but not the sourcing of inputs”; moreover, they contend, the “disparity in credit value between aviation and non-aviation fuels . . . may distort the market and supply chain for traditional biofuels.”

The Republican taxwriters also argue that the Biden administration’s delay in issuing guidance implementing the section 45Z credit has created “uncertainty for producers, blenders, retailers, and consumers ahead of the January 1, 2025, start date,” and that even after regulations are in place, “the biofuels supply chain will enter another period of uncertainty” once the credit expires after 2027. The lack of guidance also has “created particular uncertainty for the biodiesel industry as they attempt to adapt to an emissions-based credit after years of consistently receiving a credit of known value,” the taxwriters state.

The letter requests comments from stakeholders on a range of issues such as whether the section 45Z credit should be extended beyond 2027, how an extended section 45Z credit should be phased out, and what risks or benefits might arise from various possible modifications to the credit. The taxwriters also seek comments on specific issues related to sustainable aviation fuel.

Comments are due by December 13, 2024, and should be submitted on the feedback form provided by the Ways and Means Committee's Rural America and Supply Chains tax teams.

[URL: https://forms.office.com/g/GVWEs9xJ4g](https://forms.office.com/g/GVWEs9xJ4g)

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