



ATR ENERGY TAX HIKE SERIES

OBAMA 2011 BUDGET ANALYSIS

Modify Cellulosic Biofuel Credit

722 12th Street N.W.

Fourth Floor

Washington, D.C.

20005

T:(202)785-0266

F:(202)785-0261

www.atr.org

Current Law

Taxpayers who produce and use cellulosic biofuel are eligible for a tax credit. Cellulosic biofuel is defined as “any liquid that is produce from any ignocellulosic or hemicellulosic matter that is available on a renewable or recurring basis and meets the registration requirements for fuels and fuel additives established by the Environmental Protection Agency under section 211 of the Clean Air Act. (Obama budget)”

Obama 2011 Budget

This Obama budget has proposed to change the requirements necessary to receive the aforementioned tax credit. Many paper companies produce a biofuel that qualifies them for the cellulosic tax credit, the Obama budget seeks to rescind this credit raising taxes on paper companies by **\$6.569 billion in 2011 and 24 billion by 2020.**

ATR Analysis

When wood is turned into pulp to make paper the process creates a byproduct called black liquor. Black liquor, an extremely energy efficient fuel, is used by paper companies to power their mills. Eligibility for the tax credit, which was 50 cents per gallon, was predicated on mixing at least 0.1% diesel fuel with black diesel.

The paper and pulp industry in the United States is a relatively small earning \$68 billion in 2006.¹ In 2011 alone, Obama’s budget proposals represent a 9.5% increase on paper and pulp companies, an enormous amount.

¹ http://en.wikipedia.org/wiki/Pulp_and_paper_industry_in_the_United_States