The Ethanol Tax Credit

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Commonly referred to as the "blender's credit," the Volumetric Ethanol Excise Tax Credit (VEETC) is a federal tax credit of 45 cents per gallon of ethanol that goes not to ethanol producers, but to the entities that blend ethanol with gasoline. It is an economic incentive for the petroleum industry to blend ethanol into its gasoline so consumers can have access to ethanol at the retail level. VEETC is currently authorized through 12/31/10 and needs to be extended.

The ethanol tax credit more than pays for itself.

- The two major federal incentives for ethanol – VEETC and the Small Ethanol Producer Credit – together cost an estimated $5 billion in 2009.
- The combination of increased Gross Domestic Product and higher household income generated $8.4 billion in tax revenue for the federal government in 2009, showing that the U.S. ethanol industry generated a surplus of $3.4 billion for the federal treasury.

(Source: "Contribution of the Ethanol Industry to the Economy of the United States," John Urbanchuk, LECG, LLC, 2/12/2010)

The ethanol tax credit supports 400,000 American jobs.

- In 2009, the U.S. ethanol industry supported nearly 400,000 jobs in all sectors of the economy, including the ongoing production of ethanol, construction of new facilities, and R&D activities. (Source: Urbanchuk, 2/12/2010)
- If VEETC is allowed to expire, U.S. ethanol production will decline and American jobs will be lost. Ethanol production would decline by an estimated 1.4 billion gallons in 2011-2012, and by 3.6 billion gallons by 2019. This would result in job losses at ethanol plants and at businesses that supply and service the industry.

(Source: "U.S. Baseline Briefing Book: Projections for Agricultural and Biofuel Markets," Food and Agricultural Policy Research Institute [FAPRI] at the University of Missouri, March 2010)

The ethanol tax credit directly benefits consumers.

- The blender's credit is unique because it is designed to be passed along to consumers in the form of lower prices at the pump. In many areas of the country, motorists can choose the E10 blend at the pump and save between 5 and 10 cents per gallon compared to standard gasoline.
- Ethanol is blended into nearly 80 percent of the gasoline in the United States.
- During the summer of 2008, the U.S. was spending $1 billion per day on oil imports, effectively transferring more wealth to foreign oil suppliers in one week than what the blender's credit cost U.S. taxpayers in one year.

Government support for renewable fuels is far less than that for petroleum.

- From fiscal years 2002 to 2008, the U.S. government spent $72 billion on subsidies for fossil fuels.
- During the same period, the renewable fuels industry received $29 billion in funding credits. "Renewable fuels" include not just biofuels, but also wind, solar, biomass, hydropower, and geothermal energy production.
- Most of the largest subsidies to fossil fuels were written into the U.S. Tax Code as permanent provisions; by comparison, many subsidies for renewables are time-limited initiatives, including VEETC.

(Source: "Estimating U.S. Subsidies to Energy Sources: 2002-2008," Environmental Law Institute, Sept. 2009)

A robust ethanol industry reduces the cost of farm programs.

- The blender's credit reduces the cost of federal farm programs. Ethanol production helps create demand for corn, and farmers are able to obtain a fair market price for their product instead of relying on price-supports.
- In 2007 alone, the blender's credit saved the federal government $3.45 billion because the USDA did not have to make counter-cyclical program payments. (Source: *The Farm Gate,* 10/21/08, University of Illinois Extension)
- If VEETC expires, corn prices would drop an estimated 15 cents/bushel between 2010-19. (Source: FAPRI March 2010)
- USDA estimates that every 10-cent/bushel increase in corn prices saves $1 billion in loan deficiency payments.