

UNDERSTANDING THE BLENDER'S TAX CREDIT AND THE TARIFF ON IMPORTED ETHANOL



There is a lot of misinformation about government investment in ethanol and the tariff on imported ethanol.

The ethanol industry does not receive direct subsidies from the government to blend ethanol with gasoline. Petroleum refiners, usually oil companies, receive a tax credit from the government to incentivize the blending of ethanol. The tariff on imported ethanol exists to offset the credit that oil companies receive, ensuring that American tax dollars don't encourage foreign ethanol development. Foreign ethanol producers already receive significant support from their own governments.

In order to continue to create American jobs, increase our energy independence, and reduce greenhouse gas emissions, we must support our government's wise investment in our energy future and continue to level the playing field for America's farmers and ethanol producers.

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GOVERNMENT INVESTMENT IN OUR ENERGY FUTURE: VOLUMETRIC ETHANOL EXCISE TAX CREDIT (VEETC) OR THE BLENDER'S TAX CREDIT

The VEETC or blender's tax credit is a tax credit that gasoline blenders and oil companies receive for blending ethanol into our gas supply.

- The blender's tax credit is needed to ensure market access for ethanol. Ethanol competes with a heavily entrenched and subsidized product in oil and depends on that competitor to get ethanol to the consumer.
- The blender's tax credit also serves as an offset to Brazil's generous government subsidies for sugarcane ethanol.
- Government investment in ethanol results in significant contributions to the U.S. economy including federal and state tax revenue, increased GDP and reduced farm program and unemployment payments which more than offset initial government investment.
- Since 1968, the oil industry has received approximately \$150 billion in tax incentives. By comparison, the ethanol industry has received less than 14 percent of that.
- The blender's tax credit has been steadily decreasing; in 2009, the tax credit was decreased to 45 cents.

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LEVELING THE PLAYING FIELD FOR AMERICAN ETHANOL PRODUCERS: TARIFF ON IMPORTED ETHANOL

The tariff on ethanol imports creates a level playing field for American produced ethanol because our homegrown ethanol competes with highly subsidized foreign products.

- To prevent U.S. tax dollars from further incentivizing foreign-produced ethanol there is currently a tariff in place of 14.27 cents per liter or 54 cents per gallon.
- The tariff was created to offset the value of the ethanol tax credit given to the petroleum industry when ethanol is blended with gasoline.
- The ethanol tariff is vital for continued investment in the U.S. ethanol industry.
- It would be irresponsible to offset our dependence on foreign oil by replacing it with dependence on yet another foreign source such as Brazilian ethanol.
- Ethanol jobs in America are green-collar, high-tech occupations that comply with U.S. government safety and health standards. In Brazil, many workers are paid meager wages, quickly become indebted to the companies they work for and are often victims of exploitation.



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