



For Immediate Release  
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**BAUCUS, GRASSLEY RELEASE STAFF DRAFT OF LEGISLATION  
TO CLOSE ALTERNATIVE FUELS TAX CREDIT LOOPHOLE**

*Finance leaders move to resolve "black liquor" loophole, save billions in taxpayer dollars*

Washington, DC – Senate Finance Committee Chairman Max Baucus (D-Mont.) and Ranking Member Chuck Grassley (R-Iowa) today released a legislative staff draft proposal to clarify the types of fuels that qualify for the alternative fuels tax credit and eliminate from eligibility fuel derived from the processing of paper or pulp. The proposal comes in response to reports that paper mills, contrary to Congressional intent, have been adding diesel fuel to "black liquor," a byproduct of the paper-making process, in order to qualify for the tax credit for biomass-based fuel under Section 6426 of the U.S. tax code. The proposal offered today would close the loophole for black liquor fuel produced after the date of enactment. The Senators are seeking public comments and ask that all comments be sent to [altfuelscredit@finance-dem.senate.gov](mailto:altfuelscredit@finance-dem.senate.gov) by July 10, 2009.

**"Our measure ensures this tax credit is used consistently as the law intended, not through an unintended loophole. Like so many American businesses, I know the paper industry is struggling, but taxpayers don't want to see another billion-dollar bailout,"** said Baucus. **"This credit was not meant to provide a boon to companies for a process they've already been doing for several decades. This is good policy, plain and simple, and I'm pleased to propose legislation to make the situation right."**

**"The paper industry was not intended to receive the alternative fuels tax credit when the credit was enacted,"** Grassley said. **"This staff draft proposal is meant to clarify that legislative intent."**

Passed originally as part of the 2005 highway bill, the alternative fuels tax credit consists of a 50-cent per gallon refundable credit for a range of fuels, including liquefied petroleum gas, compressed or liquefied natural gas, liquefied hydrogen, liquid fuel derived from coal and biomass-based fuel. The purpose of releasing the preliminary draft is to obtain stakeholder input, including on issues related to the legislation's effective date, the definition of 'black liquor', and the means of closing the loophole.

A description of the proposal can be found on the Finance Committee website here:  
<http://www.finance.senate.gov/sitepages/legislation.htm>

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