United States Senate
Committee on Finance

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Ranking Member

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Floor Statement of U.S. Senator Chuck Grassley of Iowa
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Tax Title of the Energy Policy Act of 2005
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I rise to address an issue that has received much scrutiny during the past few months, and is currently being debated in the House of Representatives. The other body is debating a bill that will repeal the so-called sweet-heart tax deals for Big Oil that were included the Energy Policy Act of 2005.

As the Chairman of the Senate Finance Committee, I played a central role in developing that tax title, along with my colleague, Senator Baucus. In fact, Senator Baucus and I produced, on a bipartisan basis, a comprehensive tax package that included provisions to increase domestic energy production, increase energy efficiency, and increase the development of alternative and renewable energy.

On the whole, I think the effort was a success. The Senate tax title was supported unanimously by the Senate Finance Committee. The entire bill then passed the Senate on a bipartisan vote of 85-15. The conference agreement was passed by Senate by a margin of 74-26.

The entire tax title enacted in the Energy Policy Act of 2005 had a budget score of $11.1 billion over ten years. According to the non-partisan Congressional Research Service, $2.6 billion or approximately 18 percent of the package was for oil and gas production, refining and distribution. And, according to the Joint Committee on Taxation, the tax title of the Energy Policy Act actually raised taxes on oil and gas companies by at least $224 million.

Yet, in comments preceding the election, the tax title was characterized as a “tax giveaway” to Big Oil anywhere from $9 to $14 billion dollars. At a time of record high gas prices last year, the other side accused the Republican majority of a failure of leadership. They said it was time to rewrite the energy bill and stop the billion-dollar tax giveaways to big oil.

During the campaign cycle, members on the other side sold the taxpayer a bill of goods. They committed to repealing all the “tax giveaways” to Big Oil that the Republican Congress included in the Energy Policy Act of 2005. With the results of the November election, I presume they believe they were given a mandate from the voters to take away all those “tax giveaways” in that bill.

We heard the arguments over and over and over again, both here on the Senate floor and across the county on the campaign trail. But, now that debt has come due. It's time for the Democratic majority to deliver on their promises to the American people. So, what have they come up with to repeal? How much money are they going to take back from Big Oil to alleviate consumers' pain at the pump? One provision.

That's right, Mr. President. After all the demagoguery against our party and ties to big oil, they're going to repeal one single tax provision enacted in the Energy Policy Act. And that's only half of the story. It turns out that this outrageous "tax giveaway" to Big Oil is scored by the Congressional Budget Office to save the U.S. treasury $104 million over ten years. Not $14 billion. Not $1.4 billion. A mere $104 million.

Now, as a family farmer from New Hartford, Iowa, I know $104 million is a lot of money. But it turns out to be less than 1 percent of the entire package of energy tax incentives included in the Energy Policy Act.

In a desperate attempt to increase the size of the tax penalty on domestic oil and gas producers, they've also included a repeal of the oil and gas industry's eligibility for the manufacturing income deduction.

This provision was included in the overwhelmingly bipartisan American Jobs Creation Act of 2004. It was a new law, supported by 69 Senators, that contained far-reaching measures to revive the manufacturing base in America by cutting taxes and creating incentives to invest in the United States.

It devoted tax benefits to American manufacturers in the form of a 3 percentage point rate cut, subject to the payment of wages to their employees. Remember, it was called the American JOBS Creation Act. This manufacturing tax cut goes to large and small corporations, family-held S corporations, partnerships, sole proprietors, farmers, and cooperatives.

If you make it here, you get a tax cut here. It was only for manufacturing in the United States. And it was only for U.S. manufacturers that paid employees wages. It's not for manufacturing offshore and it is not for folks that only manufacture and hire overseas.

Now, in defining U.S. domestic manufacturing, Congress included in the definition all things that are extracted or grown. So that means that all domestic minerals and the people who produce domestic minerals receive the benefit. That would include the extraction of domestic oil and gas and the production of products made out of oil and gas.

So it seems very strange to me that if you want to become less dependent on foreign oil, the first thing you would do in your first 100 hours is increase the taxes by 3 percentage points on all domestic production of oil and gas.

In addition, the House proposal also increases the taxes on all refinery products -- so that means your home heating oil and your farmers diesel for harvest. In addition, fertilizer is a primary product of natural gas -- so Midwest farmers are going to be hurt and not helped by this proposal.

All this so the new House majority can rewrite their campaign promise to find tax benefits to Big

Oil. Well, if they wanted to get back at Exxon, they missed the mark. The people who produce here in the United States are the same people you go to church with and your kids see in school. So, if you want to become more dependent on foreign oil, then you should be happy with the Democratic proposal. If you want to create incentives for the production of U.S. lower 48 domestic oil and gas, then this is entirely wrong. All for a campaign gimmick -- that's not right.

Granted, Mr. President, there are also three provisions relating to royalty relief that they've included in their bill. Two were included in the bipartisan Energy Policy Act, and one seeks to remedy an error caused by Clinton Administration bureaucrats at the Interior Department.

I'll leave the discussion of those provisions to my colleagues on the Energy and Natural Resources who have jurisdiction and expertise in that area.

I'd also like to point out to my colleagues and my constituents that I am not beholden to Big Oil or the energy industry. In the years I've been in the United States Senate, I've battled Big Oil to fight for more use of renewable fuels like ethanol and biodiesel. I've supported efforts to mandate a renewable portfolio standard on the electricity industry.

I have relentlessly chased the bad players in the petroleum industry at all levels, both legal and illegal. As Chairman of the Finance Committee, we closed over $10 billion in tax provisions that the President has signed into law, shutting down fuel fraud and folks stealing fuel excise tax from the Highway Trust Fund. Those are real provisions that will collect $10 billion of taxes that should be paid.

So, what are the facts concerning the track record of the previous Congress and President Bush on energy policy and promoting renewable and alternative energy?

We extended and expanded the production tax credit for electricity produced from renewable sources like wind, biomass, geothermal and landfill gas. We enacted tax credits for the purchase of hybrid, fuel cell and advanced lean burn diesel vehicles.

We enacted incentives for the production and use of ethanol and biodiesel, and the infrastructure to dispense the fuel.

We enacted the first-ever Renewable Fuels Standard for ethanol and biodiesel that has led to the fantastic growth in the industry. With regard to energy efficiency, we enacted incentives for efficiency improvements for new and existing homes and commercial buildings, and for energy-efficient home appliances.

Mr. President, according to the clock in the other body, we're still somewhere within the first 100 hours of the new Democratic Majority. And again, we see another example of the legislative action not living up to the campaign rhetoric.

A word of caution to the voters across America – beware of the goods you were sold by this new Democrat Majority. In the case of repealing the big oil "tax giveaways" from Energy Policy Act, it's turned out to be another "pig in the poke."