RENEWABLE
FUELS
ASSOCIATION

What the Renewable Fuels Reinvestment Act (HR 4940) Means

The Renewable Fuels Reinvestment Act (RFRA) provides needed long-term extensions for the major federal tax incentives helping provide for the continued growth and evolution of America's ethanol industry. RFRA, introduced in the House by Reps. Earl Pomeroy (D-ND) and John Shimkus (R-IL), extends through 2015 four of the most important tax incentives for all ethanol producers and blenders, regardless of feedstock.

What RFRA Would Do?

- Extend the Volumetric Ethanol Excise Tax Credit (VEETC) of $0.45 per gallon available to oil and gasoline refiners for each gallon of ethanol they blend through December 31, 2015. The VEETC is set to expire at the end of 2010.
- Extend the corresponding secondary tariff on ethanol through December 31, 2015. The secondary tariff exists to offset the benefit of the VEETC which is available to all sources of ethanol, regardless of its country of origin. The tariff sunsets at the end of 2010.
- Extend the Small Producers Tax Credit until January 1, 2016. This $0.10 per gallon tax credit is available on the first 15 million gallons of ethanol produced by ethanol companies producing no more than 60 million gallons per year. This tax credit expires at the end of 2010.
- Extend the Cellulosic Ethanol Producer Tax Credit until January 1, 2016. Currently, cellulosic ethanol is eligible for both the $0.45 per gallon VEETC as well as an addition $0.56 per gallon production tax credit. This tax credit expires at the end of 2012.

Why is RFRA Important?

- Together with the Renewable Fuels Standard (RFS), the tax incentives for ethanol provide the necessary public policy framework to ensure America's domestic renewable fuels industry is allowed to be successful. Even though the RFS requires ethanol use, it doesn't require it be produced domestically. Thus, allowing the tax incentive to expire would force America to add foreign ethanol addiction to our addiction to foreign oil.
- Failure to extend VEETC and the other tax incentives would result in a loss of 112,000 jobs in all sectors of the economy, many of these in rural areas that can least afford a loss of economic opportunity. Additionally, 38% of domestic ethanol production would be forced to shutter. That is approximately 4 billion of the 10.6 billion gallons the industry produced in 2009.
- Passage of RFRA will provide investors with the long term stability needed to bring next generation technologies to commercialization. Likewise, it allows current ethanol producers to invest with confidence in new efficiencies to further improve upon ethanol's economic and environmental benefits.