

ENERGY TAX PROVISIONS

7A

SUMMARY OF PUBLIC TESTIMONY ON THE ENERGY PROPOSALS

PREPARED FOR THE
COMMITTEE ON FINANCE
UNITED STATES SENATE
BY THE STAFF OF THE
JOINT COMMITTEE ON TAXATION
AND THE
CONGRESSIONAL RESEARCH SERVICE



SEPTEMBER 19, 1977

U.S. GOVERNMENT PRINTING OFFICE

WASHINGTON : 1977

95-907

JCS 55A-77

17

18

19

20

21

22

23

24

25

26

CONTENTS

	Page
Introduction	v
I. Overview of Energy Situation and General Comments.....	1
II. Residential Conservation Tax Incentives.....	4
A. Residential energy credits.....	4
B. Residential solar credit.....	5
III. Transportation Tax Provisions.....	6
A. Auto fuel inefficiency tax.....	6
B. Standby gasoline tax.....	9
C. Personal deduction for State-local gasoline taxes.....	9
D. Other motor fuel taxes.....	10
E. Taxes on buses and bus operations.....	11
IV. Crude Oil Tax and Rebate.....	13
V. Tax on Industrial Use of Oil and Gas.....	20
VI. Business Energy Conservation and Conversion Tax Incentives	26
VII. Energy Development Tax Incentives.....	29
A. Geothermal deductions.....	29
B. Intangible drilling costs for oil and gas wells.....	30
C. Shale oil.....	30
VIII. Other Energy-Related Tax Proposals.....	32
A. Railroad cars and equipment.....	32
B. Other proposals.....	33
IX. Comments on Use of Energy Tax Revenues.....	34
X. Non-Tax Proposals.....	35
A. Vanpooling	35
B. Auto efficiency economy standards.....	35
C. Study of off-highway recreation vehicles.....	35
D. Utility regulation policies.....	36
E. Oil and gas pricing policies.....	36
F. Other items.....	37

17

18

19

20

21

22

23

24

25

26

INTRODUCTION

This is the seventh (Part A) in a series of pamphlets prepared for use by the Senate Committee on Finance during its consideration of the energy tax provisions of the House bill (title II of H.R. 8444).

This pamphlet (Part A) presents a summary of the public testimony before the Finance Committee during the hearings on the tax aspects of the energy program. The hearings were held on August 8-12 and September 8-9 and 12-15, 1977. The Administration testified on August 8-9 and on September 15. The Administration's position on the energy tax provisions of the House bill are included in each area in other staff pamphlets (Nos. 2-6); and are therefore not covered in this pamphlet. (A summary of statements submitted for the record will be presented in Part B.)

The summary of testimony is organized by topics, and covers the comments of the witnesses on the provisions of the House bill (H.R. 8444), the Administration energy tax proposals, plus comments on the general energy situation and other suggestions related to the energy program.

The summary was prepared with the assistance of the staff of the Congressional Research Service: Robert L. Bamberger, Lawrence Kumins, and Russell Profozich.

17

18

19

20

21

22

23

24

25

26

I. Overview of Energy Situation and General Comments

*American Gas Association, George H. Lawrence, President
(August 12)*

Contents that the Administration's energy program will inhibit development of new gas supplies and that Administration underestimates the contribution which natural gas could make to future energy supply. Believes that with reasonable production incentives, natural gas could contribute thirty percent to the energy supply mix in 2000 as it does today. Argues that it would be less costly to develop natural gas in lieu of additional electricity consumption, and that natural gas is more environmentally acceptable.

Energy Consumers and Producers Association, Bud Stewart, Executive Director (August 12)

Asserts that House-passed legislation has little to do with actual economic factors controlling production and development of oil and gas. Argues that present legislation fails to encourage production and relies on complicated bureaucratic mechanisms to achieve conservation. Feels that there is a need for production incentives, contending that prices must reflect costs of development and production, and that the tax system must promote such development.

*Petrochemical Energy Group, O. Pendleton Thomas, Chairman of the Board and Chief Executive Officer, B. F. Goodrich Company
(August 12)*

Believes deregulation of prices, coupled with windfall profits tax, will do more efficient job of resource allocation than using the tax system.

Boating Industry Associations, Howard Larson, Chairman, Government Relations Committee; and National Association of Engine and Boat Manufacturers, George Page, Chairman, Government Relations Committee (August 12)

Indicate that the conservation potential of boating industry is small because end use is less than one-half of one percent of annual gasoline consumption. State that nearly ninety percent of boaters earn less than \$15,000 annually, therefore any provision to curb consumption will affect the middle class, not the affluent. Claim that additional fuel conservation regulations levied against boating would likely save little fuel and would hurt a labor-intensive industry.

General Electric Company, Richard C. Barnett, Manager of Marketing (August 12)

Emphasizes conservation potential of a shift to electrical power generated from a variety of fuels. Recommends reserving natural gas and oil for utilizations for which there is no available substitute.

Public Citizen's Tax Reform Research Group, Robert M. Brandon, Director, and William Pietz, Staff Attorney (September 8)

Believe energy consumption could be reduced by more than the four percent target cited in the National Energy Plan. Contend that a dollar spent on conservation to narrow the gap between supply and demand is better spent than a dollar to increase supply. Support basic thrust of the energy plan to raise the cost of higher consumption while recycling revenues to consumers and lower-income families.

Charles D. Masters, Chief, Office of Energy Resources, Department of Interior (September 8)

Estimates oil reserves to be: (1) "measured reserves"—31 billion barrels (oil available for production which can be recovered economically under existing prices and technology), with estimated producing capacity of 3 billion barrels/year for the next five years; (2) "indicated reserves"—4 billion barrels (oil known to exist but requiring additional time and investment to extract); (3) "inferred reserves"—14 billion barrels (oil not yet discovered but believed to be present in known fields, discoverable with minimal exploration effort and lag time); (4) "undiscovered resources"—50 to 127 billion barrels, with odds ranging from ninety-five percent probability at low end to five percent probability at high end; (5) sub-economic resources—104-141 billion barrels—routine primary and secondary recovery leaves sixty-eight percent of the field in place; this reserve category estimates an additional twenty-eight percent recovery from enhanced recovery technology; (6) undiscovered sub-economic reserves—44-111 billion barrels.

Notes that production to reserve ratio is 1:10, therefore indicates that for every barrel of increased production there must be an average of ten barrels of reserves added to the system.

Estimates similar categories of reserves for natural gas: (1) measured reserves—216 trillion cubic feet (TCF); (2) inferred reserves—135 TCF; (3) undiscovered reserves—332-655 TCF; (4) identified sub-economic reserves—50-108 TCF; (5) undiscovered sub-economic reserves—42-82 TCF.

National Taxpayers Union, James Dale Davidson, Chairman (September 12)

Expresses opposition to the tax provisions of the energy bill (title II of H.R. 8444), as an unneeded and harmful tax increase on the public. Claims that there is no energy shortage, with proven reserves of oil at almost twice as much as in 1967. Maintains that there is a monetary crisis, caused by inflationary, deficit government spending.

Contends that the current "energy crisis" is a repeat of past asserted oil shortages, which has been aggravated by government price controls.

AFL-CIO, Andrew J. Biemiller, Director, Department of Legislation (Sept. 13)

Supports the major thrust of the energy bill, particularly those dealing with conservation, but does not support the energy pricing and taxing provisions and urges the Senate to modify these features of the bill.

Chamber of Commerce of the United States of America, Richard L. Leshner, President (Sept. 13)

Applauds the efforts of the Administration and the Congress to place the energy issue at the top of our national agenda. Concurs in the urgent need to eliminate the waste of oil and natural gas, and agrees with the President's objective of increasing the use of coal.

Expresses serious difficulties, however, with the National Energy Plan. Indicates that the Plan provides strong incentives for conservation but has no corresponding incentives for increasing domestic production. Claims that the Plan's reliance on taxation would cause serious dislocation of the economy and place the Government inextricably in the energy business. Contends that the plan will be more harmful to the consumer and to the economy than would a more balanced plan emphasizing both conservation and development. Maintains that the Plan will not accomplish the goals it has set.

Advocates either a market approach in which petroleum prices are allowed to rise gradually to a level commensurate with their replacement value or a plowback system in which investors in new exploration are given credit for this investment.

Honorable David L. Boren, Governor of Oklahoma, Representing Midwestern and Southern Governors Conference (September 14)

Believes chief effect of tax proposals will be to ration a shortage rather than to assure long-term energy supplies. Opposes substitution of government control for free enterprise. Believes shortage of energy is really a shortage of capital investment. Predicts increasing balance of trade deficit, inflation and lost jobs if incentives are not provided to attract capital investment to increase domestic production.

National Electric Reliability Council, William McCollam, Jr., Chairman (September 14)

Sees likelihood of inadequate electric generating capability by 1979, and notes that any imminent deficiency will require years of lead-time to alleviate. Cites several restraints on development of adequate capacity, including: (1) conflicting federal regulations; (2) conflict between environmental goals and the need to meet future energy requirements; (3) lack of timely and adequate rate relief adversely affecting ability of utilities to finance construction; and (4) impediments to the development of needed coal and uranium resources to fuel future facilities.

American Textile Manufacturers Institute, William A. L. Sibley, Jr. (September 14)

Asserts that the House-passed bill represents massive intrusion of government into the free market, and that bill will impose substantive financial burden upon consumers. Argues that energy pricing as a policy tool can encourage development as well as conserve energy.

II. Residential Conservation Tax Incentives

A. Residential Energy Credits

General Electric Company, Richard C. Barnett, Manager of Marketing (August 12)

Supports use of tax credits to encourage purchase of conservation hardware, and particularly recommends tax credits for purchase of heat pumps. Contends that utilization of heat pumps for electrical heating are as energy efficient as direct heating with combustion fuels.

Public Citizen's Tax Reform Research Group, Robert M. Brandon, Director, and William Pietz, Staff Attorney (September 8)

Believe cost of conservation and solar hardware is sufficiently expensive that residential tax credits, as proposed, will favor only individuals with substantial amounts of capital. Recommend money be used to subsidize loans to people who cannot afford initial capital costs of insulation and solar hardware. Assert that most of the tax credit will be absorbed by higher prices charged by insulation suppliers, and that credits will further complicate the tax code. Cite study which shows that insulation industry is highly concentrated, and that manufacturing capacity is limited in the near term. Additionally, note study which suggests that insulation industry is reluctant to expand capital investment to meet temporarily heightened demand which might not be sustained.

Consumer Federation of America, Lee C. White Chairman, Energy Policy Task Force (September 8)

Maintains that residential credits will only favor those with enough income to make conservation investments, and that many of these individuals would make the expenditure without the tax credit. Believes any savings from the credit will be wiped out by higher insulation prices. Recommends massive low-interest loan program for middle- and lower-income families who cannot afford initial investment.

Gas Appliance Manufacturers Association, Stanley W. Schroeder, Director of Legislative Services (September 12)

Recommends that residential tax credit be expanded to include replacement of furnaces as well as retrofit of existing units. Argues that replacement of a furnace would be safer, could be as cost-effective if replacement were to qualify for the tax credit, and would likely capture greater energy savings.

National Electrical Manufacturers Association, Bernard H. Falk, President (September 12)

Proposes that tax credits be extended to include conversions to high-efficiency lighting systems, including fluorescent lighting in

homes. Estimates potential savings of 3.5 million barrels of oil equivalent if twenty percent of existing dwellings converted to fluorescent lighting in kitchens, bathrooms, utility and recreational areas. Estimates revenue loss to Treasury from such a residential credit would be approximately \$4.8 million.

AFL-CIO, Andrew J. Biemiller, Director, Department of Legislation (September 13)

Supports the proposals for tax credits available through 1984 to individuals who invest in home insulation and conservation measures. Also favors the provisions for federally-insured below market interest rate loans for approved conservation measures to financially pressed families.

Maine Division of Community Services, Timothy P. Wilson, Director (September 14)

In lieu of crude oil equalization tax, recommends: (1) increased emphasis on weatherization programs to assist low-income families; (2) expansion of tax incentives for homeowner insulation; and (3) extending low- or no-interest loans to those unable to benefit from tax rebates.

New England Fuel Institute, Charles S. Isenberg, Executive Vice President (September 14)

Believes residential energy credit, as proposed, will not provide sufficient coverage to meet needs of homeowners. Recommends broadening definition of "other energy-conserving components" to include boilers and furnaces in addition to replacement burners. States that replacement of burners alone is insufficient for optimum long-term conservation.

B. Residential Solar Credit

Solar Energy Industries Association, Sheldon H. Butt, President, and Paul W. Cronin, Vice President (September 12)

Recommend increasing residential tax credit on the first \$1,500 invested in solar hardware from 30 to 40 percent, and addition of a bonus tax credit of 15 percent of expenditure on solar installations where retrofitting replaces natural gas.

AFL-CIO, Andrew J. Biemiller, Director, Department of Legislation (September 13)

Supports the temporary credit for taxpayers who invest in solar and wind energy equipment.

17

18

19

20

21

22

23

24

25

26

III. Transportation Tax Provisions

A. Auto Fuel Inefficiency Tax

Chrysler Corporation, S. L. Terry, Vice-President, Public Responsibility and Consumers Affairs (August 10)

Feels there is no need for additional taxes and regulation beyond existing EPCA standards. Notes that the industry is redesigning product lines to meet EPCA standards and that civil penalties are substantial enough to assure compliance. Argues that even with a projected twenty percent increase in the size of the vehicle fleet, existing legislation will reduce gasoline consumption 10-17 percent by 1985. Feels gas guzzler tax or minimum fuel economy standard disrupts otherwise free market, generates little fuel savings, and restricts consumer choice. Points out that EPCA standards allow manufacturer to produce broad mix of vehicles meeting variety of consumer needs. Believes gas guzzler tax will, in effect, be a tax on family cars and fall upon those who can least afford it. Cites recent Chase Econometrics study which predicts tax and rebate proposal would improve fuel economy by only one tenth of a mile per gallon in 1985, but believes this modest projection may be optimistic.

General Motors Corporation, Roger B. Smith, Executive Vice-President (August 10)

Rejects assumption that additional government intervention is needed to manipulate and influence consumer automobile purchases, or to insure industry compliance with EPCA standards. Notes that current and prospective improvements in vehicle fuel economy will reduce absolute gasoline consumption. Believes proposed tax and rebate reflect "an extraordinarily simplistic notion" of how the automobile market functions. Contends that tax will fall most heavily on lower- and middle-income families who rely on larger cars, and that it will inflate prices of comparable used cars. Emphasizes that restrictions upon the industry's flexibility to meet market demands will only retard replacement of the fleet with more efficient cars. Cites International Trade Commission (ITC) study that estimates loss of 140,000 car sales under tax proposal alone, 330,000 car sales under tax and rebate proposal, and a loss of 90,000 direct and related jobs in 1985. Points out that net savings would be only 50,000 barrels of oil per day, accompanied by severe economic dislocation and hardship. Notes that rebate would possibly violate General Agreement on Tariffs and Trade (GATT) if imports were excluded.

Argues that tax policies designed to influence consumer decisions create economic risks and generate little or no savings. Points out that consumer preferences have substantially changed the mix of car purchases in the absence of government regulations. Indicates that production of a marketable product line in compliance with EPCA standards will reduce gasoline consumption by 14 percent between 1977 and 1985.

*Ford Motor Company, F. G. Secrest, Executive Vice President
(August 10)*

Cites conclusions of ITC study that gas guzzler tax alone, or tax and rebate proposals together, would mean loss of sales and industry unemployment. Notes, in particular, ITC conclusion that Administration proposal could impair ability of industry to comply with existing standards because Administration proposal would compromise industry's flexibility to manufacture a product line meeting a wide variety of consumer needs. Disagrees with ITC conclusion that industry will not meet standards or that it could be economically advantageous for the industry to pay the civil penalty rather than to comply. Estimates that absolute gasoline consumption should decline by 18 percent in 1985 with existing standards. Indicates that tax could penalize company offering full-range of models while not affecting company offering narrower range of models even though company average fuel economies might be the same. Feels tax is based on car type rather than on amount of gasoline consumed, and would therefore especially hurt large families who might choose instead to retain presently owned less-efficient cars beyond normal trade-in cycle. Notes that almost all family-sized cars would be taxed under the Administration proposal, but that "some portion" of these cars would not be taxed under House-passed schedule.

Argues that Administration proposal is punitive since industry would not be able to make technological modifications to avoid taxes on less efficient 1979 models. Notes that House-passed legislation circumvents part of this problem but is still an unnecessary measure. States that the only studies of the Administration proposal which project any fuel savings from the tax and rebate proposal are those studies (CBO and ITC) which make the erroneous assumption that the industry will not comply with EPCA, and that, even so, the projected savings in these studies, 0.2 mpg, are extremely modest.

American Imported Dealers Association, Robert McElwaine, Executive Vice President (August 10)

Argues that existing standards and scale of civil penalties is sufficient to achieve fuel-efficient automobiles by 1985. Contends that consumer has recognized that purchase of fuel-efficient automobiles is in own interest. Believes impact of tax on gasoline conservation will be minimal. Indicates that if one were to apply House tax schedule for model years 1978 and 1979 against current vehicle mix, few vehicles would be affected by the tax and that the tax would represent an insignificant percentage of total purchase price.

Emphasizes that imposition of a rebate that exclude imports would have the effect of imposing an indirect tax on import purchases and therefore be in violation of GATT agreement. Believes it would also violate obligations with producing countries which require that imported products be accorded treatment "no less favorable" than the treatment accorded domestic products. Argues that it is unlikely that the executive agreements proposed by the Administration could be negotiated or that such agreements would adequately compensate for violations of GATT and national treatment treaty obligations. Adds that exclusion of imports from rebate would nullify previously nego-

14
2 15
3 16
4
5
6
7
8
9
10
11
12
13

tiated trade concessions and would undermine United States-Canadian Automotive Products Agreement of 1965. Asserts that restricting imports would result in purchases of less fuel-efficient domestic models and actually have the effect of increasing fuel consumption. Cites study which concludes that imports currently save 3.2 million gallons of fuel over domestic counterparts. Maintains that diluting competition from fuel-efficient imports would also reduce incentive domestic manufacturers have for improving fuel economy of domestic cars.

American Automobile Association, J. K. Aldous, Managing Director, Public and Government Policy (August 10)

Opposes gas guzzler tax. Contends that existing EPCA standards can be met and will achieve significant fuel savings in line with national goals while preserving freedom of choice for automobile purchasers.

Public Citizen's Tax Reform Research Group, Robert M. Brandon, Director, and William Pietz, Staff Attorney (September 8)

Support gas guzzler tax. Favor original Administration tax schedule over House-passed version, particularly if rebate is not included in the bill. Cite growing truck purchases and recommend that the tax be extended to apply to light-duty trucks and vans. Feel that whereas fleet standards influence manufacturers, the EPCA standards have no comparable effect upon consumer choices.

Consumer Federation of America, Lee C. White, Chairman, Energy Policy Task Force (September 8)

Opposes gas guzzler tax. Recommends, instead, mandating stricter fuel-efficiency standards or mandating minimum fuel economy standards.

National Taxpayers Union, James Dale Davidson, Chairman (September 12)

Argues that the gas guzzler tax is unjustifiable. Feels that the proposed tax is a political attempt to eliminate the large family car. Maintains that with the price of fuel rising and mileage standards already mandated, there is no need for further penalties on large cars. Indicates that the drivers may just keep using older less efficient vehicles, which would result in further waste.

AFL-CIO, Andrew J. Biemiller, Director, Department of Legislation (September 13)

Opposes the gas guzzler tax. Contends that such a measure would penalize large families. Also objects to the proposal which would have included a rebate for small cars.

Chamber of Commerce of the United States, Richard L. Lesher, President (September 13)

Maintains that the tax on gas guzzler cars would discriminate against larger families using larger cars. Feels that such a penalty tax on automobiles is of doubtful benefit and could seriously impact the economy.

B. Standby Gasoline Tax

American Automobile Association, J. K. Aldous, Managing Director, Public and Government Policy (August 10)

Opposes standby gasoline tax or any proposal to raise the Federal gasoline tax.

Aircraft Owners and Pilots Association, John L. Baker, President (August 12)

Objects to any increased tax on automobile fuel.

Consumer Federation of America, Lee C. White, Chairman, Energy Policy Task Force (September 8)

Opposes increased gasoline tax. Argues that such a tax would have little impact on driving habits of most Americans. Contends that a large percentage of vehicle miles traveled are inelastic with respect to price of gasoline.

National Oil Jobbers Council, Mr. Thomas V. Patton, President (September 9)

Supports House action to eliminate standby gasoline tax. Believes demand for gasoline is relatively inelastic. Feels gasoline tax would discriminate against citizens in less populous states who are more dependent upon gasoline and where public transit is generally unavailable.

AFL-CIO, Andrew J. Biemiller, Director, Department of Legislation (September 13)

Opposes any further attempts to levy additional excise taxes on consumer purchases of gasoline. If consumption must be substantially curtailed, would prefer enactment of a rationing program.

Chamber of Commerce of the United States, Richard L. Lesh, President (September 13)

Opposes the standby gasoline tax. Feels that it is questionable whether a penalty tax would result in less gasoline consumption.

C. Personal Deduction for State-Local Gasoline Taxes

American Automobile Association, J. K. Aldous, Managing Director, Public and Government Policy (August 10)

Opposes elimination of deduction for State gasoline taxes. Believes elimination of the deduction will have little effect on consumption and that it is principally a measure to raise revenues and therefore inappropriate to deliberations on energy.

AFL-CIO, Andrew J. Biemiller, Director, Department of Legislation (September 13)

Objects to the repeal of the present individual income tax deduction allowed for State gasoline taxes.

17

18

19

20

21

22

23

24

25

26

Chamber of Commerce of the United States, Richard L. Leshner, President (September 13)

Opposes the elimination of the Federal tax deduction for State and local taxes paid with respect to gasoline and other motor fuels.

Aircraft Owners and Pilots Association, John L. Baker, President (August 12)

Objects to the House bill's elimination of the deduction for State and local motor fuel taxes.

D. Other Motor Fuel Taxes

International Taxicab Association, Marvin L. Glassman, President (August 10)

Requests relief for the taxicab industry from the Federal excise tax on gasoline. Contends that existing legislation has disadvantaged the taxicab industry because local transit systems are granted a rebate on gasoline tax and receive other financial assistance from the Federal Government. Notes that some State legislatures have also extended special tax relief and funding to local transit systems. Maintains that the taxicab industry faces the same kind of problems as local transit systems and should receive some consideration, but is instead subsidizing the competition through taxes.

States that taxicabs are cost effective and provide diversified services. Notes that fuel costs have risen from 6 to 12 percent of total operating costs, and that fleet operators have experienced declining profits from 1970 to 1975. Indicates that some States are now providing full rebate on State gasoline taxes to taxicab companies in recognition of the industry's contributions at the local level. Contends that shared ride services offered by taxicabs can be both cost effective and energy-efficient.

Boating Industry Associations, Howard Larson, Chairman, Government Relations Committee; and National Association of Engine and Boat Manufacturers, George Page, Chairman, Government Relations Committee (August 12)

Do not favor elimination of two cents per gallon rebate on motorboat fuel excise tax, but urge that the additional revenues be used for development of boating-related facilities near metropolitan areas.

Aircraft Owners and Pilots Association, John L. Baker, President (August 12)

Objects to any increases in Federal excise tax on noncommercial aviation fuel. States that airlines, railroads, and barges consume more fuel than noncommercial aviation but are not targets of fuel taxes. Recommends that the existing 7-cents-a-gallon tax be reduced to four cents because noncommercial aviation uses less than six percent of all aviation fuel and does so efficiently; notes also that a sufficient level of revenues has accumulated in the Airport and Airway Trust Fund.

Hon. Dan Glickman, Member of Congress, Kansas (September 12)

Recommends an exemption from existing or future gasoline taxes for alcohol-blended fuels with at least 5 percent alcohol content. Notes that price differential between gasahol and gasoline has narrowed to

less than five cents, and that an increase in tax on gasoline, or an exemption for "gasahol" from Federal excise taxes, would eliminate difference in price. Contends that production of gasahol would shift national dependence from a nonrenewable to a renewable source, and that utilization of gasahol will stimulate economy by providing boost to agriculture and creating new jobs. Believes oil companies have not pursued development of alcohol-based fuels because they do not control resources essential to its production. Cites study indicating five percent improvement in fuel efficiency utilizing gasahol, and showing gasahol to be cleaner-burning fuel than gasoline. Notes that little adjustment to cars would be required to accommodate ten percent alcohol blend with gasoline, and cites comment by Mobil Oil that, "properly handled," an ethanol-gasoline blend would have little effect upon either driveability or performance.

AFL-CIO, Andrew J. Biemiller, Director, Department of Legislation (September 13)

Supports the proposal to raise the excise tax on fuel used for non-commercial aviation from 7 cents to 11 cents per gallon. Believes that the present excise tax exemption for farm and other selected users should be allowed to continue as proposed.

Endorses the provision removing the 2-cents-a-gallon refund on fuel for motorboats.

Chamber of Commerce of the United States, Richard L. Leshner, President (September 13)

Opposes the increase in the excise tax on motorboat fuel and any increase in the excise tax on noncommercial aviation fuel.

E. Taxes on Buses and Bus Operations

National Association of Motor Bus Owners, Mr. Arthur D. Lewis, President (September 12)

Supports elimination of excise taxes on new buses, bus parts and accessories, diesel fuel used in intercity, local and school buses, tire tubes, tread rubber and lubrication oils.

Suggests a refundable tax credit formula for intercity bus operators to be computed as follows: Passenger miles multiplied by the difference between the efficiency of buses and automobiles measured in passenger miles per gallon, multiplied in turn by an "incentive factor" as a fraction of one cent (Passenger miles \times Fuel Economy Coefficient \times Dollar Incentive). Recommends a total credit of \$200 million per year to be allocated: 20 percent for terminals, 30 percent for equipment, and 50 percent for fare reductions. Argues that utilization of tax credit for fare reductions would alleviate disproportionate burden on elderly and lower-income families, and stimulate use of more energy efficient modes of transportation.

AFL-CIO, Andrew J. Biemiller, Director, Department of Legislation (September 13)

Supports the proposals to repeal the variety of Federal excise taxes which apply to buses, including the 10-percent excise tax on the bus; the 8-percent tax on bus parts and accessories; the 4-cent-a-gallon tax

on bus fuel; the 6-cent-a-gallon tax on lubricating oil; and the excise tax on bus tires, inner tubes and tread rubber.

Chamber of Commerce of the United States, Richard L. Lesher President (September 13)

Supports the removal of the 10-percent manufacturer's excise tax on intercity buses.

IV. Crude Oil Tax and Rebate

American Automobile Association, J. K. Aldous, Managing Director, Public and Government Policy (August 10)

Objects to the crude oil equalization tax because its principal purpose is to raise revenue and would result in car owners in warmer climates subsidizing home heating costs of individuals in cooler climates.

Edison Electric Institute, W. Reid Thompson, Vice Chairman (August 11)

Opposes crude oil equalization tax.

Middle South Utilities, Inc., Floyd K. Lewis, President (August 11)

Believes it unfair that those using home heating oil receive rebate while those consuming oil-generated electricity are not eligible to receive rebate.

Energy Consumers and Producers Association, Bud Stewart, Executive Director (August 12)

Opposes crude oil equalization tax.

Petrochemical Energy Group, O. Pendleton Thomas, Chairman of the Board and Chief Executive Officer, B. F. Goodrich Company (August 12)

Contents that proposed equalization taxes will raise cost of fuel and feedstocks above the world price of oil. Recommends that equalization taxes, if imposed, be based upon each vendor's ceiling price rather than upon an arbitrary average price.

California Energy Resources Conservation and Development Commission, Herbert Brown, Counsel (August 12)

Supports House-passed amendments and language to vary crude oil equalization tax according to type, quality, and location of oil, and to allow public utility commissions to determine disposition of rebates utilities. Believes equalization tax will deprive producing states of true value of oil produced on State-owned lands; therefore recommends providing an "alternative energy fund" rebate to producing States, to be funded from equalization taxes imposed on State-owned oil production. Suggests that funds could be made available as low-interest loans or grants for conservation installations to groups ineligible for income tax credits.

American Association of Homes for the Aging, David C. Crowley, Executive President (August 12)

Urges that non-profit long-term care facilities for the elderly be included among institutions that would be exempted from pass-through of crude oil equalization tax. Notes that operating costs of nursing

homes have risen seventy percent between 1974 to 1976, largely due to increased fuel costs. Indicates that facilities cannot afford further increases of fuel and continue to provide quality care.

Aircraft Owners and Pilots Association, John L. Baker, President (August 12)

Argues that crude oil equalization tax will raise price of fuel without encouraging additional production. Opposes crude oil equalization tax, but recommends that, if imposed, substantial plowback provision be added. Believes rebate proposal is an income transfer program that will aggravate energy supply problems.

Public Citizen's Tax Reform Research Group, Robert M. Brandon, Director and William Pietz, Staff Attorney (September 8)

Support crude oil equalization tax in so far as the tax would raise the cost of fuel to the cost of its replacement, but express concern over possibility of windfall profits to producers if rebate provision is dropped or a plowback provision adopted. Believe rebate to be essential if measure is not to be simply a tax-raising bill.

Consumer Federation of America, Lee C. White, Chairman, Energy Policy Task Force (September 8)

Opposes the crude oil equalization tax. Contends that raising price of petroleum to world level legitimizes anti-competitiveness of petroleum industry and its control by multinationals and OPEC cartel. Points out that price increases from either policies of deregulation or imposition of equalization tax will be borne by consumers; comments that Administration plan is lesser of two evils only because oil companies would not be permitted to keep the difference between the controlled price and the OPEC world price. Believes that the equalization tax would be regressive. In lieu of tax, favors allocation and price controls as least harmful to consumers.

Hon. John Tower, U.S. Senator, Texas (September 9)

Opposes crude oil equalization tax on grounds that higher prices are desirably only if they bring forth increased output. Categories the provision as a "tax program masquerading as an energy proposal," and claims that it would be a "bureaucratic nightmare" to administer. Urges that, if the tax is approved, the revenues be used for additional exploration and production incentives. Maintains that the energy plan will fail unless it includes major new oil and gas production incentives.

Independent Petroleum Association of America, A. V. Jones, Jr., President (September 9)

Objects to crude oil equalization tax. Contends it will increase prices to consumers by 5 cents to 7 cents per gallon without eliciting additional output. Sees the pricing program, under the crude oil equalization tax, leading to a \$20 billion shortfall in exploration and development expenditures by 1985.

Marathon Oil Company, Harold D. Hoopman, President (September 9)

Opposes the crude oil equalization tax, claiming that "taxation will never produce a single barrel of replacement oil." Recommends, if imposed, that the crude oil equalization tax be gradually phased out

as petroleum from existing wells and fields declines so that chronologically new oil is not subject to the equalization tax.

Standard Oil Company of California, John R. Grey, President (September 9)

Objects to the crude oil equalization tax. Holds that replacement cost pricing is a desirable goal because it gives correct price signals, but states that crude oil equalization tax does not provide any production incentive.

Louisiana Land and Exploration Company, E. L. Williamson, President (September 9)

Opposes the crude oil equalization tax.

Salmon Brothers, Mr. Raymond Golden, General Partner (September 9)

Objects to the crude oil equalization tax, arguing that industry needs additional revenues for increased capital expenditures.

El Paso Products Co., John Mason, Senior Vice President (September 9)

Opposes the crude oil equalization tax, asserting that tax would raise price of natural gas liquid products. Claims the method of tax computation for natural gas liquids is not workable.

National Oil Jobbers Council, Thomas V. Patton, President (September 9)

Objects to the crude oil equalization tax. Believes the tax is regressive, contains no additional production incentives, surrenders pricing authority over crude oil to OPEC, and that the tax will not result in significant additional conservation. Feels tax is certain to raise consumer prices for finished products derived from petroleum. If tax is imposed, favors use of revenues for heating oil rebate. Believes special consideration for home heating oil is necessitated by other aspects of energy plan which insulate natural gas and electric uses from abrupt price increases.

National LP-Gas Association, Arthur C. Kreutzer, Executive Vice President (September 9)

Supports exclusion of natural gas liquids from crude oil equalization tax for utilizations in residential, farm and petrochemical applications. Recommends that exclusion be extended to all uses of natural gas liquids. Believes taxing natural gas liquids will be costly, cumbersome and generate little additional conservation. Maintains that taxation will penalize rural and low-income users of propane.

National Taxpayers Union, James Dale Davidson, Chairman (September 12)

Objects to the crude oil tax as another example of government interference with the market pricing of energy. Maintains that it will not result in any increased production.

AFL-CIO, Andrew J. Biemiller, Director, Department of Legislation (September 13)

Opposes the oil equalization tax. Indicates that this proposal amounts to at least a 5-cent-per-gallon price increase and would in

17

18

19

20

21

22

23

24

25

26

effect delegate to OPEC the power to determine domestic energy prices and U.S. energy taxes. Claims that the proposal would also increase the profits of the oil companies and increase the prices of alternative energy sources including coal and uranium. Believes that the variety of rebates, credits and special payments proposed would not effectively counter the inequities of the program nor be administratively feasible. Strongly objects to any attempt to plowback such taxes to the oil companies.

Chamber of Commerce of the United States, Richard L. Lesher, President (September 13)

Objects to the crude oil equalization tax as a one-sided approach, not useful in helping to redress energy supply/demand imbalances. Should this tax be imposed, however, believes that a plowback should be provided for exploration and development.

Oil, Chemical and Atomic Workers International Union, A. F. Grierson, President (September 13)

States that the proposed crude oil equalization tax would have the effect of providing the financial incentive for large increases in the importation of oil products. Contends that this would lead to a corresponding reduction in domestic refining operations and employment, and would seriously weaken the competitive position of domestically refined products. Strongly supports Senator Haskell's bill, S. 2012.

Crown Central Petroleum Corporation, Jack Morris, President (September 13)

At the present time, states that the domestic refining industry is unable to justify expenditures on needed expansion or major modernization programs because it is at a severe competitive disadvantage with foreign rivals. Maintains that the proposed crude oil equalization tax and the industrial user's tax will aggravate this disadvantage and will jeopardize the financial viability of existing domestic refiners. Believes that Senator Haskell's bill, S. 2012, must be added as an amendment to the energy program. This bill would amend section 232 of the Trade Expansion Act, to protect the U.S. from undue reliance on foreign refiners.

Cities Service Company, Robert V. Sellers, Chairman of the Board (September 13)

Believes that the nation's economy and its consumers would be harmed by the crude oil equalization and fuel user's tax provisions of H.R. 8444. Opposes these taxes in their present form and does not believe that the U.S. refining industry could remain viable if these taxes were implemented unless protection was afforded as in S. 2012.

Pester Refining Company, Jack C. Pester, Chairman of the Board (September 13)

Contends that the crude oil equalization tax will effectively raise the domestic refiner's crude oil costs and give refiners located offshore a substantial advantage over domestic refiners. Asserts that the tax will also enable the multinational major oil firms to further dominate the refining sector, and will increase our dependence on imported refined petroleum products. Strongly endorses Senator Haskell's bill, S. 2012.

AFL-CIO, Building and Construction Trades Department, Dan Mundy, Legislative Director (September 13)

Claims that the crude oil equalization tax, coupled with the industrial user's tax, will make the expansion and modernization of our domestic refining industry impossible. Supports the adoption of S. 2012 as an amendment to the National Energy Plan.

American Petroleum Refiners Association, Frank Wood, Jr., Chairman of the Board (September 13)

Argues that the crude oil equalization tax impacts more adversely on small refiners than on their crude sufficient, larger refiner competitors. Asserts that the tax eliminates the crude cost offset so vital to the economic viability of the small refiner. Strongly urges the Congress to: maintain the value of an entitlement in the small refiner program by providing a tax credit or refund to the extent that the value would be reduced by the crude oil equalization tax; continue the existing Department of Energy (DOE) authority to propose changes in the number of entitlements small refiners of various sizes receive; mandate a one-year DOE study and legislative recommendation for insuring the continued competitive viability of small refiners.

Independent Refiners Association of America, Elmer L. Winkler, President of Rock Island Refining Corp. (September 13)

Opposes the crude oil equalization tax. Claims that it appears to be nothing more than a \$16 billion revenue-raising scheme which will not stimulate exploration nor encourage increased crude oil production. Maintains that the tax will hinder the growth of domestic refining capacity and will make research and development, which is necessary to convert our processing plants to more efficient or alternative sources of energy, financially impossible. Urges that the Congress add an amendment to provide for a credit or a refund of a portion of the tax sufficient to maintain a small refiner cost offset program.

Independent Refiners Association of California, Richard W. Matson, Senior Vice President, Macmillian Ring-Free Oil Company (September 13)

Asserts that the crude oil equalization tax provision of H.R. 8444 presents an extremely serious threat to the competitive viability of small refiners throughout the country. Claims that the tax virtually ignores the competitive position of small refiners in the structure of the petroleum industry and would actually hasten the demise of many of these small companies.

Urges that the crude oil equalization tax provision be amended to provide appropriate tax treatment for small refiners consistent with the current small refiner bias provision of the crude oil entitlements program, with a system of tax credits, refunds or rebates that would provide offsets to the crude oil cost of small refiners equivalent to the current programs.

Mt. Airy Refining Company, William P. Boswell, Chairman of the Board (September 13)

Points out that the National Energy Act phases out the small refiner bias and puts nothing in its place. Contends that the Plan, as proposed, would eliminate 75 percent of the small refiners in this country.

United Refining Company, Harry A. Logan, Jr., President (September 13)

Maintains that the survival of the independent refining segment of the petroleum industry depends upon the inclusion in Title II of H.R. 8444 of a crude cost equalizing mechanism similar to the current Entitlements Program with a small refiner bias provision. Believes that the alternative is greatly diminished competition in the petroleum industry and even greater reliance on foreign sources for U.S. domestic energy needs.

Hon. David L. Boren, Governor of Oklahoma, Representing Midwestern and Southern Governors Conferences (September 14)

Opposes the crude oil equalization tax. Favors phased decontrol of wellhead prices to world levels, coupled with plowback provision and an excess profits tax on excess profits not invested in production. Consents that this policy approach will achieve conservation objectives of Administration plan while also increasing energy supply.

American Textile Manufacturers Institute, William A. L. Sibley, Jr. (September 14)

Objects to the crude oil equalization tax. Argues that the equalization tax will increase cost of petrochemicals used in manufacture of textiles, and that higher costs will be passed on to consumers. Maintains that rebate will be insufficient to recover costs of conversion to coal.

Manufacturing Chemists Association, Mr. Edward Donley, Chairman, Executive Committee (September 14)

Favors phased deregulation of oil and natural gas in lieu of the crude oil equalization tax. Asserts that both policies will have the effect of raising price of oil to world levels, but that deregulation would encourage expansion of energy supply. If equalization tax is imposed, recommends it be phased out as soon as possible in favor of deregulation, and that provision be made in interim for a plowback of revenues to be used in new production.

American Paper Institute and National Forest Products Association, T. Marshall Hahn, President, Georgia-Pacific Corporation (September 14)

Opposes the crude oil equalization tax. Favors deregulation as means to raise price and encourage new supply simultaneously. Objects to rebate to individuals as an attempt at social reform and income redistribution; recommends revenues be utilized for additional drilling and development of new technology. States that paper industry generated half its electrical needs in 1976, of which 75 percent was cogenerated.

Maine Division of Community Services, Timothy P. Wilson, Director (September 14)

Objects to the crude oil equalization tax. Estimates that tax will increase costs of annual heating bill in Maine by \$100-\$150 per family. Indicates that nearly 20 percent of Maine's population lives in poverty or near-poverty conditions.

New England Fuel Institute, Charles S. Isenberg, Executive Vice President (September 14)

Maintains that a home heating oil rebate is essential to preserving regional equity within framework of National Energy Plan, but notes that the Northeast is placed at disadvantage nonetheless because natural gas will be cheaper than heating oil by an average of ten cents per gallon equivalent. Believes it to be inequitable that natural gas users and sections of the country should be favored, especially when New England has substantially reduced fuel oil consumption.

Considers the rebate mechanism to be too complex and cumbersome, particularly for small fuel oil dealers. Recommends that home heating oil rebate be given in full to ultimate consumer, and that distributors be spared bureaucratic complexities.

17

18

19

20

21

22

23

24

25

26

V. Tax on Industrial Use of Oil and Gas

*Edison Electric Institute, W. Reid Thompson, Vice Chairman
(August 11)*

Indicates that high cost of oil and gas is promoting gradual phase-out of these fuels and that user taxes are not the rational way to accelerate conversion to coal. Asserts that whereas Title I of H.R. 8444 recognizes that various conditions may necessitate exemptions from conversion requirements, Title II of the bill imposes "punitive" taxes even where no other feasible option exists.

Argues that equalization and user taxes will increase cost of electricity to consumers but achieve little conservation of oil and gas. Notes that utilities burn only 15% of natural gas consumed, providing 12 percent of electricity generation, and that without Federal intervention utility consumption of natural gas is scheduled to drop to 6 percent of electricity by 1986, to provide 3 percent of electricity generation. Contends that less than fifteen percent of oil- and gas-fired generating capacity is capable of conversion without incurring costs greater than original cost of the facility, and that in the instance of natural gas facilities, conversion effectively means replacement.

Does not believe that user tax will result in EEI converting any plants in addition to those which FEA is empowered to order converted under ESECA. Argues that user tax will waste enormous capital investment where magnitude of tax causes premature plant retirement. Estimates that costs in 1985 to electric utilities would be \$5 billion per year for scrubbers, \$1.2 billion per year for the user tax on utility oil consumption, and \$0.85 billion per year for the tax on utility gas consumption. Points out that although provision is made to offset user tax with qualified investment, the current investment tax credit will be lost.

Contends that user tax will foster regional inequities. Urges that Senate restore House Ways and Means provision that granted exemption for users tax to facilities exempted under ESECA. In lieu of taxes, suggests it would be more constructive to remove constraints against new coal and nuclear generating facilities.

Middle South Utilities, Inc., Floyd W. Lewis, President (August 11)

Recommends that utility generating plants existing or under construction as of April 1977 be exempted from the users tax. Estimates costs of users tax to Middle South customers at approximately \$1.0-1.2 billion from 1983 to 1990, or roughly an additional \$200 per customer per year.

Argues that cost of shifting to an energy policy based upon coal and nuclear fuels should not be borne by consumers. Contends conversion would necessitate premature retirement of facilities that cannot be modified from oil to coal. Cites GAO study which estimates that

base load generating capacity in South Central States will be completely coal and nuclear by 1983, and that it may not be feasible to further accelerate utility conversion in that region.

Hon. Hans Tanzler, Mayor of Jacksonville, Florida (August 11)

Opposes the users tax. Argues that a five-fold increase in cost of fuel oil was incentive enough to encourage conversion to coal and nuclear fuels. Feels that a State which has no coal or hydro resources to tap will be unduly penalized by user and equalization taxes. Emphasizes that user tax, by placing an additional burden on utility customers, will make it more difficult to raise and secure needed funds for capital investment.

Houston Lighting and Power Company, Don D. Jordan, President and Chief Executive Officer (August 11)

Estimates that between 1983 and 1990, rebates of the users tax would fall \$426 million short of user tax costs to the utility. Proposes that exemption from user taxes be provided for utilities which can demonstrate that net effect of user tax would be to increase consumer rates without facilitating conversion or to impair the utility's ability to accomplish such conversion. Argues that House-passed bill could force utilities to use capital funds to pay user taxes. Indicates that annual amount of user tax would exceed company profits and require doubling rates before 1990.

Montana Power Company, William H. Coldiron, Executive Vice President (August 11)

Objects to users tax because conversion by end-user consumers from gas to electricity would not be energy-efficient and would place additional burden upon remaining gas utility customers. Notes that due to unfavorable publicity about gas shortages, many new residential customers are electing to use electricity even where gas is available, and that several industrial users are also considering conversion. Argues that if interruptible industrial customers convert from gas, fixed and other costs paid by industrial users will have to be absorbed by residential and commercial customers. Estimates that rates would have to go up from 33 to 57 percent in addition to 87 percent increase during last three years. Argues that gas home heating is a more efficient use of energy than electric heating; therefore, conversion from gas prompted by imposition of user tax would be in opposition to conservation objectives. Points out that reducing industrial consumption of natural gas will not increase supply to residential and commercial customers since natural gas authorized for export from Canada reverts to Canada if not consumed in the United States.

Texas Utilities Service, Inc., Louis Austin, Chairman of the Board (August 11)

Indicates that utility system has program underway to reduce dependence upon oil and gas to 25 percent by 1985. Estimates cost of user tax to utility customers at \$900 million from 1983 to 1990. Observes that existing generating units planned for peaking use cannot be converted to coal due to environmental, fiscal and site restraints,

17

18

19

20

21

22

23

24

25

26

and that replacing these units would cost more than \$6 billion. Believes it doubtful that additional capital could be raised, and that peaking units that cannot be feasibly converted should be exempted from user tax. Contends that user tax would not be an incentive, but would simply increase rates without encouraging conservation, and could impair ability of utility to carry out present conversion plans.

Ebasco Service Inc., R. J. Sherman, President and Chief Executive Officer (August 11)

Cites difficulties entailed in conversion to coal, including environmental and physical space requirements for replacement boilers, coal storage, and sludge disposal. Indicates that analysis reveals conversion of existing oil and gas-fired electric generating units by 1983 would require more than a doubling of the engineering and construction labor staffs currently working on electric generating units. Contends that the work would require more than fifty percent of total engineering graduates for the next two years and that this force would not be adequately trained to perform the work until mid-1980's.

Foster Wheeler Energy Corp., Henry Wheeler, Consultant (August 11)

Argues that it will be impossible for boiler manufacturing industry to satisfy equipment demand from both anticipated load growth and an extensive conversion program. Conversion alone will require 45.2 of the 47.2 million remaining man-hour capacity within the industry between now and 1983, and that meeting minimal load growth will probably require an additional 40 million man-hours.

American Gas Association, George H. Lawrence, President (August 12)

Estimates user tax will cost consumers \$40 billion in 1985. Emphasizes that user tax will not provide significant incentive for conversion to other fuels. Indicates that 80 percent of natural gas usage is for process and feedstock applications which cannot be economically converted. Believes user tax as passed by the House will be difficult to administer. Urges that feedstocks used in production of synthetic natural gas be exempted from user tax.

Petrochemical Energy Group, O. Pendleton Thomas, Chairman of the Board and Chief Executive Officer, B. F. Goodrich Company (August 12)

Urges that Senate adopt House provision which restricts user tax liability to utilization of oil and gas as fuels. Argues that proposed user tax would encourage use of natural gas liquids for boiler fuel in preference to oil, thereby diverting supplies of natural gas liquids from feedstock and process users. Estimates that a 15-percent decline in petrochemical feed supplies would result in loss of 1.6 to 1.8 million jobs and loss to economy of \$65 billion to \$70 billion annually; therefore recommends that fuel use of oil and natural gas be taxed at same time.

California Energy Resources Conservation and Development Commission, Herbert Brown, Counsel (August 12)

Supports House-passed amendment and language to exempt facilities from user tax where coal use or conversion is precluded by State

or Federal law. Indicates that conversion of California oil-fired plants would cost \$1 billion.

Aircraft Owners and Pilots Association, John L. Baker, President (August 12)

Contents that user taxes will raise price of fuel without encouraging additional production.

Public Citizen's Tax Reform Research Group, Robert M. Brandon, Director and William Pietz, Staff Attorney (September 8)

Favor users tax as means to promote conversion to coal.

National Taxpayers Union, James Dale Davidson, Chairman (September 12)

Maintains that the use tax will "squander" billions in needed capital and unnecessarily raise the living costs of the average person. Believes that oil and gas should remain the preferred fuels as long as they are the most economic, as they are much cleaner to burn than is coal.

AFL-CIO, Andrew J. Biemiller, Director, Department of Legislation (September 13)

Supports the House measure which would impose a tax on industrial and utility users of oil and natural gas. Believes the proposal should go further and actually mandate conversion to coal and other energy sources over a reasonable period of time.

Chamber of Commerce of the United States, Richard L. Lesher, President (September 13)

Opposes the tax on the industrial use of oil and natural gas. Also opposes rebate of such taxes to industrial users of oil and natural gas based on their investment in certain energy property. Do not believe that the tax is well conceived. Contents that the goals of energy conservation and conversion to coal would be better achieved through the market system and through investment credits rather than through penalty taxation.

Oil, Chemical and Atomic Workers International Union, A. F. Grospiron, President (September 13)

Claims that the proposed oil and gas business use taxes, if enacted into law, would give domestic refining another financial handicap in comparison to foreign refiners.

Louisiana Public Service Commission, Louis J. Lambert, Chairman (September 14)

Objects to user taxes. Contents that user taxes will necessitate increases in utility base rates at a time when fuel adjustment costs have increased by a factor of eight over last three years. Estimates that user tax will cost consumers an additional \$1 billion. Feels that imposition of user tax on utilities in 1983 is unfair because construction of coal generating facilities or conversion to coal could not be completed by that time.

National Electric Reliability Council, William McCollam, Jr., Chairman (September 14)

Opposes the user tax on oil and natural gas. Argues that user tax will require utilities to raise rates to consumers, but that additional rev-

17

18

19

20

21

22

23

24

25

26

enues will not be available for investment in needed new facilities. Urges instead timely rate relief to provide capital for construction. Contends that recovering costs of user taxes might very likely delay installations of currently planned coal-fired and nuclear generating units. Believes rebates will be inadequate in several instances to offset taxes imposed.

American Textile Manufacturers Institute, William A. L. Sibley, Jr. (September 14)

Indicates that small oil-burning boilers utilized in textile manufacturing cannot be converted to coal. Urges exemption from user tax of processes that cannot convert to coal, or for which costs of replacement would be prohibitive.

Independent Zinc Alloyers Association, Richard J. Bauer, President (September 14)

States that national energy policy should address question of materials energy efficiency, but notes that House bill would exempt companies which use oil as a raw material from paying users tax on that particular utilization. States that petrochemicals industry consumes 6.5 percent of total U.S. demand for petroleum to provide material substitutes for metal that are neither recyclable or biodegradable. Indicates that production of zinc consumes one-fourth the amount of energy consumed in manufacture of substitute material, and is recyclable. Is opposed to intention of plan to reserve oil for petrochemical utilizations, and believes exemption from user tax for feedstocks will be a negative incentive for conservation within petrochemical industry.

National Cannery Association, Charles J. Carey, President (September 14)

Supports exemption of feedstocks and non-substitutable process uses from users tax, if imposed. Is otherwise opposed to the users tax, contending that it would increase costs above world parity, would be inflationary, discourage exports, and jeopardize the chemical industry's \$5 billion contribution to the balance of trade. Argues that the users tax will not accelerate conversion to coal.

National Cannery Association, Charles J. Carey, President (September 14)

Urges an amendment to exempt agricultural production, processing and distribution from industrial users tax. Argues that purported justification for user tax is not applicable to canning industry because: (1) substantial part of industry cannot convert to coal; (2) the user tax will make canned goods more expensive when demand for canned goods is a non-discretionary consumption item; (3) the industry has adequate incentive currently to conserve and improve energy efficiency. Contends that adverse effects of user tax on food processing industry would have negative impact upon farming industry.

American Iron and Steel Institute, Edgar B. Speer, Chairman of the Board (September 14)

Believes imposition of industrial users tax should be postponed to 1983 to allow adequate lead time for construction of new coal-fired boilers. Recommends additionally: (1) that industrial process use

exemption be extended to apply to crude oil equalization tax, and (2) that environmental exemption from use tax should be extended to all facilities, whenever constructed, that are precluded from burning coal by Federal or State laws.

*American Paper Institute and National Forest Products Association,
T. Marshall Hahn, President, Georgia-Pacific Corporation (September 14)*

Maintains that rebates and investment incentives will not cover high costs of conversion to coal. Estimates costs of conversion to paper industry at \$4 billion to \$5 billion.

17

18

19

20

21

22

23

24

25

26

VI. Business Energy Conservation and Conversion Tax Incentives

California Energy Resources Conservation and Development Commission, Herbert Brown, Counsel (August 12)

Recommends expansion of definition of "alternative energy property" to permit rebates for investment in conservation measures besides conversion to coal, e.g., solar energy or modifications to improve efficiency of fuel use or load management.

National Association of Recycling Industries, Inc., M. J. Mighdoll, Executive Vice President (August 12)

Supports House-passed provision directing FEA to establish targets for increased industrial recycling, and favors increased energy investment tax credit for machinery and equipment utilizing recyclable materials in industrial manufacturing. Indicates that metals, paper and rubber industries saved the equivalent of 151.6 million barrels of oil in 1976 by using recycled materials. Notes, however, that disadvantageous rate barriers hamper transport of recyclable materials from collection points to industrial mills. Emphasizes that remedying transportation rate structure will be essential to meet proposed conservation goals from recycling.

Public Citizen's Tax Reform Research Group, Robert M. Brandon, Director and William Pietz, Staff Attorney (September 8)

Oppose tax incentives for conservation modifications to commercial buildings. Believes cost savings to be realized from conservation should be incentive enough.

Urge rejection of any tax credits for investment in recycling hardware. Argue that recycling has been retarded by disproportionate costs of collection and transportation of recyclable materials, and technical superiorities of virgin materials; do not believe an investment credit would overcome these constraints.

Roger E. Billings, President, Billings Energy Corp., Provo, Utah (September 9)

Recommends that the energy bill also include tax credits for hydrogen-powered energy and vehicles as for solar and other alternative energy investments. Notes that a hydrogen-powered bus has been operating in Provo for the past year and a half. Indicates that a hydrogen-powered home will be inaugurated later this year.

Solar Energy Industries Association, Sheldon H. Butt, President, and Paul W. Cronin, Vice President (September 12)

Recommend that the energy tax credit be established at 35 percent on first \$50,000, 30 percent on the next \$50,000, and 20 percent on expenditures over \$100,000.

*Mechanical Contractors Association of America, Inc., Carl Bruechert
(September 12)*

In addition to investment tax credit, recommends an "energy conservation tax incentive" to provide additional tax credits based upon estimate of energy saved by new installation or equipment. Proposes that annual energy savings from installation would be calculated by qualified professionals, converted to equivalent in barrels of oil, with actual credit to be computed as actual dollar value of oil conserved based upon the current world selling price. Contends that incentives based on actual savings will encourage the most efficient improvements.

*Gas Appliance Manufacturers Association, Stanley W. Schroeder,
Director of Legislative Services (September 12)*

Notes that House bill definition of "specially defined energy property" limits listed equipment to applications connected with an industrial or commercial process. Recommends that definition be expanded to include installations for reducing energy consumption to heat an industrial or commercial facility.

National Solid Wastes Management Association, Eugene J. Wingerter, Executive Director (September 12)

Believes that encouragement of resource recovery would help fulfill the nation's energy goals of reducing the demand for oil and natural gas and to encourage the use of other fuels. Notes that solid waste is both an alternative fuel source and a renewable energy source.

Indicates that an investment credit of 20 percent would lower the cost of garbage disposal at a resource recovery facility, and would in many areas make it competitive with the cost of disposal at a sanitary landfill. Asks that the language of the bill's recycling provision be modified so that part of a "resource recovery facility" which processes wastes into a solid fuel or energy be included as eligible for the credit.

*National Electrical Manufacturers Association, Bernard H. Falk,
President (September 12)*

Recommends that energy tax credits be extended to include conversions to high-efficiency lighting systems, including fluorescent, metal halide, and high-pressure sodium lighting systems. Indicates that commercial and industrials energy consumption for lighting comprises eighty percent of total demand for energy for lighting. Estimates potential savings of approximately 30 million barrels of oil equivalent from conversion of 20 percent of the lighting systems to more efficient system. Estimates revenue loss to Treasury would be approximately \$19.2 million.

*AFL-CIO, Andrew J. Biemiller, Director, Department of Legislation
(September 13)*

Opposes the additional 10-percent business energy investment tax credit. Notes that under the bill, a broad range of business investment related to energy and some other types of investment would qualify

17

18

19

20

21

22

23

24

25

26

for both the existing 10-percent investment credit as well as the added 10-percent credit. The bill would also eliminate, in the case of alternative energy property, the limitation on the investment credit which prevents the credit from eliminating more than 50 percent of the taxpayer's tax liability.

Chamber of Commerce of the United States, Richard L. Lesher, President (September 13)

Believes that the need to invest funds in energy-saving devices, cogeneration and alternative energy systems requires a short-term stimulus. States that the urgent effort to retrofit existing facilities in order to reduce energy consumption should be aided by the positive incentive tax credits can provide.

American Textile Manufacturers Association, William A. L. Sibley, Jr. (September 14)

Recommends increasing investment tax credit to flat 25 percent for business energy property. Urges that the credit be expanded to include not only boilers and combustors, but any modifications necessary for utilization of coal. Also, recommends more rapid amortization for such equipment.

American Paper Institute and National Forest Products Association, T. Marshall Hahn, President, Georgia-Pacific Corporation (September 14)

Proposes an additional 20-percent investment tax credit for qualified investment in conservation, cogeneration, or fuel substitution equipment, to be available without tax liability limitation.

American Iron and Steel Institute, Edgar B. Speer, Chairman of the Board (September 14)

Feels that investment in energy conserving manufacturing processes should qualify for tax offset or energy credit.

VII. Energy Development Tax Incentives

A. Geothermal Deductions

California Energy Resources Conservation and Development Commission, Herbert Brown, Counsel (August 12)

Recommends tax deduction for intangible drilling costs in development of geothermal resources, and an increase in depletion allowance to 22 percent. Contends that these provisions would reduce costs to developer by as much as 10 to 15 percent, and would increase quantity of hydrothermal power perceived to be economically viable.

Republic Geothermal, Inc., Robert W. Rex, President (September 12)

Believes "incentives" for development of geothermal energy in House-passed bill may actually discourage development. Notes problems with provisions of House bill that: (1) limit definition of geothermal equipment as alternative energy property to exclude turbines or equipment beyond the turbine stage; (2) limit definition of geothermal equipment as energy property to utilization of geothermal hardware with existing buildings, industrial or commercial processes; (3) allow geothermal energy a 10-percent depletion allowance.

Recommends, instead: (1) that all geothermal equipment be included in definition of alternative energy property; (2) that corporations and independent operators be treated alike with regard to application of minimum tax to intangible drilling expenses, and that the minimum tax should not apply to geothermal wells until the first year the wells produce income, with the excess intangible drilling costs carried forward to that time to be applied against income from the wells; and that (3) a depletion allowance of 22 percent be permitted for geothermal wells.

Geothermal Resources International, Domenic J. Falcone, Vice-President (September 12)

Notes that definition of energy property in the House bill (H.R. 8444) is restricted to geothermal equipment installed by taxpayer for taxpayer's use. Recommends that credit should be extended to all utilizations of geothermal energy under any conditions. Believes this modification will accelerate utilization of geothermal energy.

Union Oil Company of California. Carel Otte, President and Manager, Union Geothermal Division (September 12)

Contends that the 10-percent depletion allowance for geothermal energy in the House-passed bill is only a slightly more liberal form of cost depletion and is inadequate to encourage development of geothermal energy. Feels a more liberal depletion allowance would be appropriate given relative uncertainties associated with geothermal

energy, difficulties associated with exploration, and lengthy lead times required. Urges adoption of 22-percent depletion allowance proposed in S. 1961. Recommends expansion of definition of "alternative energy property" to include all equipment and facilities required for production and generation of electricity from geothermal energy resources.

Chamber of Commerce of the United States, Richard L. Lesher, President (September 13)

Supports allowing intangible drilling cost deductions for geothermal steam and geothermal resources.

B. Intangible Drilling Costs for Oil and Gas Wells

American Gas Association, George H. Lawrence, President (August 12)

Recommends that costs of new exploration be deductible as incurred.

Energy Consumers and Producers Association, Bud Stewart, Executive Director (August 12)

Favors permanent write-off of intangible drilling costs. Also, recommends inclusion of tax incentives for secondary and tertiary recovery in national energy act.

Public Citizen's Tax Reform Research Group, Robert M. Brandon, Director and William Pietz, Staff Attorney (September 8)

Oppose exemption of independent oil producers from the minimum income tax.

AFL-CIO, Andrew J. Biemiller, Director, Department of Legislation (September 13)

Object to the proposal to permanently eliminate the 15-percent minimum tax on income sheltered through the immediate write-off of "intangibles" as well as the proposal to enact a comparable provision for intangible costs associated with geothermal wells.

Chamber of Commerce of the United States, Richard L. Lesher, President (September 13)

Supports removing intangible drilling costs entirely from the minimum tax base, as contributing to the expansion of our domestic petroleum resources.

C. Shale Oil

Atlantic Richfield Company, R. G. Daniel, Vice President (September 12)

Proposes an oil shale production credit which would provide a \$3 per barrel tax credit for each barrel of liquid hydrocarbon produced from oil shale. Cites regulatory delays and inflation as reasons for suspension of oil shale plant construction; estimates that 50,000 barrel per day shale oil complex would now cost over \$1 billion. Notes estimate of oil shale reserves at 130 billion barrels.

TOSCO Research, Inc., Charles H. Brown, President (September 12)

Recommends utilization of some portion of revenues generated by the crude oil equalization tax to encourage development of shale oil. Supports proposal offered by Atlantic Richfield to institute a \$3 per barrel tax credit for production output of first commercial shale oil plants. Also suggests making \$500 million of Crude Oil Equalization Tax Trust Fund available as direct loans for construction of oil shale plants initiated before 1981, and doubling investment tax credit for shale oil development.

Believes first generation technology for oil shale production is ready for commercialization, and that shale oil production can be managed consistent with reasonable environmental goals. States that a \$3 per barrel the tax credit would encourage initial construction of three or four plants by 1980, and that development of shale oil would create new employment opportunities and generate significant new tax revenues.

17

18

19

20

21

22

23

24

25

26

VIII. Other Energy-Related Tax Proposals

A. Railroad Cars and Equipment

*Association of American Railroads, William H. Dempsey, President
(September 13)*

Notes that the National Energy Act places emphasis on a greater reliance on coal to meet the Nation's energy needs. In order to accommodate the increased traffic in coal shipments, indicates that the railroad industry needs to invest large sums of money in new and expanded equipment and facilities. Maintains that the solution is for Congress to provide needed capital formation incentives.

Proposes specific changes in the tax law to increase the cash flow to railroads:

(1) An increase in the investment tax credit from 10 to 15 percent for qualified investment in equipment or road property;

(2) Five-year amortization for investment in additions and betterments to the track, rolling stock (including locomotives), signals and communication equipment (including centralized traffic control systems), and classification yards (with the investment tax credit based on useful life rather than the amortization period and the incentive not regarded as a tax preference for purposes of a minimum tax);

(3) Extension of the incentives of the additional investment tax credit and rapid amortization with full investment credit and no minimum tax consequence to any interested investor such as an interchange railroad or a customer such as a public utility.

(4) Refundability of the investment tax credit; and

(5) Remedial legislation or such oversight of the Treasury Department as necessary to insure that the administrative practices of the Internal Revenue Service do not so restrict the use of leverage leases of needed rolling stock so as to thwart the will of Congress.

Illinois Central Gulf Railroad Company, William J. Taylor, President (September 13)

Supports the enactment of energy-related tax provisions proposed by the railroad industry to the Committee. Proposes a 5-year amortization of railroad rolling stock and locomotives to encourage needed investment. Recommends inclusion under this provision of the investment in classification yards and communication systems. Suggests rapid amortization for the additions and betterments to the track structure. To make the 5-year plan workable, the incentive should not be regarded as an item of tax preference for purposes of the minimum tax. The investment credit should be available on the qualified investment based on useful life of the equipment rather than the amortiza-

tion period. Proposes increasing the tax credit to 15 percent for investment in qualified railroad equipment, and the refunding to railroads of investment credits generated and/or expiring after the effective date of such legislation.

Also, urges early consideration by Congress of legislation to insure that the Internal Revenue Service administrative rulings and practices with respect to leasing arrangements do not thwart or restrict the use of the leasing technique to obtain the needed rolling stock for the rail industry.

Seaboard Coast Line Industries, Prime F. Osborn, President (September 13)

Supports the proposal for 5-year amortization of the cost of capital improvements to the track structure, communication systems, rolling stock and locomotives. Endorses the proposal for an increase in the investment tax credit to 15 percent of qualified investment and also a refundable investment tax credit. Also, supports a transferable credit and amortization and exemption of bonds issued for acquisition of railroad rolling stock and track improvements from the classification as industrial bonds under section 103 of the Code.

B. Other proposals

American Gas Association, George H. Lawrence, President (August 12)

Recommends that investment tax credit be increased generally from 10 to 12 percent with full use of the credit allowed up to 100 percent of tax liability.

Public Citizen's Tax Reform Research Group, Robert M. Brandon, Director and William Pietz, Staff Attorney (September 8)

Contend that currently allowed depletion allowance and deduction for intangible drilling costs should be eliminated. Oppose any plow-back provision. Argue that industry and independents have sufficient capital to invest in new production.

National Taxpayers Union, James Dale Davidson, Chairman (September 12)

Recommends adoption of a capital gains rollover provision in the energy area to encourage the necessary development (such as in the proposal of Congressman Jacobs).

17

18

19

20

21

22

23

24

25

26

IX. Comments on Use of Energy Tax Revenues

Energy Consumers and Producers Association, Bud Stewart, Executive Director (August 12)

Recommends revenues from user and wellhead taxes be used to maintain existing energy production and to foster new production. Believes it inadvisable to deny tax revenues to the very industry which could use revenues to increase domestic production and thereby reduce American dependence on imported petroleum.

Boating Industry Association, Howard Larson, Chairman, Government Relations Committee and National Association of Engine and Boat Manufacturers, George Page, Chairman, Government Relations Committee (August 12)

Propose that revenues be utilized to develop boating-related facilities near metropolitan areas. Assert that such a provision will result in reduced fuel consumption in automobile travel to boating facilities.

Consumer Federation of America, Lee C. White, Chairman, Energy Policy Task Force (September 8)

Fears that Congress will use revenues "for such worthwhile programs as it would like to fund." Comments that the rebate proposal is "too illusory and vulnerable" to be counted upon by consumers.

Hon. John Tower, U.S. Senator, Texas (September 9)

Urges that, if the crude oil tax is approved, the revenues be used for additional exploration and development incentives.

Hon. Nelson A. Rockefeller, Former Vice President of the United States (September 13)

Endorses use of crude oil equalization taxes to help fund proposed Energy Development Corporation. (See additional comments in X.F. "Other Items.")

American Iron and Steel Institute, Edgar B. Speer, Chairman of the Board (September 14)

Recommends that revenues generated from crude oil equalization tax be applied toward development of existing or potential sources of energy rather than be rebated to individual taxpayers.

X. Non-Tax Proposals

A. Vanpooling

*American Automobile Association, J. K. Aldous, Managing Director,
Public and Government Policy (August 10)*

Recommends promotion of vanpooling and ride-sharing.

B. Auto Fuel Economy Standards

*Ford Motor Company, F. G. Secrest, Executive Vice-President
(August 10)*

Notes that the Ford Motor Co. does not plan production of any models that would fall below Senate-proposed fuel economy minimum standards, but that unanticipated failure of new technology could unexpectedly drop the fuel efficiency of new models below the acceptable minimum standards. Contends that the result could be plant shutdowns and unemployment even though the manufacturer's overall fleet fuel economy average might be in compliance with the EPCA standard. Believes doubling civil penalties for noncompliance is unnecessary and that existing penalties are sufficient incentive for compliance.

*Public Citizen's Tax Reform Research Group, Robert M. Brandon,
Director and William Pietz, Staff Attorney (September 8)*

Favor Senate Energy Committee bill (S. 2057) to establish a minimum allowable automobile fuel economy beginning in 1980.

C. Study of Off-Highway Recreation Vehicles

Boating Industry Associations, Howard Larson, Chairman, Government Relations Committee; and National Association of Engine and Boat Manufacturers, George Page, Chairman, Government Relations Committee (August 12)

Oppose the House-passed amendment authorizing study of conservation potential of off-highway recreational vehicles. Argue that such a study would be discriminatory and implies that some action should be taken against this segment of recreation industry. Contend that efficiency of boat engines has been constantly improved, and that conservation is a matter of economic survival requiring no inducements from Government. Points out that EPCA allows FEA sufficient statutory authority with respect to motorboats to establish fuel economy standards, and that DOE is also authorized to develop strategies and proposals concerning all forms of energy utilization; thus assert that the proposed studies would be wasteful and a duplication of previous efforts.

Aircraft Owners and Pilots Association, John L. Baker, President (August 12)

Objects to studies of off-highway recreation vehicles authorized in House-passed bill.

D. Utility Regulation Policies

Louisiana Public Services Commission, Louis J. Lambert, Chairman (September 14)

Objects to Federal assumption of State regulatory authority over utility ratemaking. Asserts that local factors of geography, climate, income and load factors preclude nationwide uniform standards for ratemaking. Believes only State regulatory authorities can give proper attention to local variables.

E. Oil and Gas Pricing Policies

American Gas Association, George H. Lawrence, President (August 12)

Contents that proposed ceiling price will result in lower production than estimated by Administration.

Energy Consumers and Producers Association, Bud Stewart, Executive Director (August 12)

Recommends elimination of price controls. Proposes that definition of stripper well not be based strictly on production but be changed to recognize differences in operating costs of wells drilled to different depths.

Hon. John Tower, U.S. Senator, Texas (September 9)

Favors phased price decontrol of oil and natural gas.

Independent Petroleum Association of America, A. V. Jones, Jr., President (September 9)

Recommends phased decontrol of crude oil prices.

Marathon Oil Company, Harold D. Hoopman, President (September 9)

Cities continuing need for additional capital to finance oil and gas production for the 1980's. States that potential investors will be discouraged by indefinite extension of price controls and the imposition of the crude oil equalization tax. Challenges Administration's statements on cash flow in the industry, citing data from four major oil companies that shows their 1976 cash flow equalled capital expenditure.

Standard Oil Company of California, John R. Grey, President (September 9)

Favors decontrol of oil prices.

Louisiana Land and Exploration Company, E. L. Williamson, President (September 9)

Feels that price decontrol and reliance on market forces is the key to resolving the oil and gas shortage.

Salomon Brothers, Raymond L. Golden, General Partner (September 9)

Challenges Secretary Schlesinger's statement that oil companies are "awash in cash flow," and asserts that capital outlays have been much greater than profits. Claims that Federal pricing policies have depressed the market for oil industry securities, leading to disproportionately higher interest on bonds and low price-earnings multiples on equity securities.

National Taxpayers Union, James Dale Davidson, Chairman (September 12)

Recommends decontrol of oil and natural gas to yield adequate investment capital rather than imposing an added tax.

Chamber of Commerce of the United States, Richard L. Lesher, President (September 13)

Recommends an alternative approach to H.R. 8444, including: (1) Remove wellhead price controls on new natural gas and phased deregulation of natural gas; and (2) Instead of imposing a new excise tax on crude oil to raise consumer prices, lift controls on crude oil as a means of stimulating exploration and encouraging conservation.

American Textile Manufacturers Institute, William A. L. Sibley, Jr. (September 14)

Favors total deregulation of oil and natural gas.

American Iron and Steel Institute, Edgar B. Speer, Chairman of the Board (September 14)

Supports deregulation of oil and natural gas prices.

F. Other Items

American Automobile Association, J. K. Aldous, Managing Director, Public and Government Policy (August 10)

In lieu of proposed tax provisions, recommends: (1) accelerated development of shale oil, (2) encouraging utilization of substitute fuels, and (3) promotion of gasoline-alcohol in a 90/10 blend that will require no engine adjustment.

Middle South Utilities, Inc., Floyd W. Lewis, President (August 11)

Emphasizes need for faster nuclear licensing and realistic environmental regulations for coal and nuclear facilities.

American Gas Association, George H. Lawrence, President (August 12)

Objects to increases in synthetic natural gas production encouraged by the National Energy Plan. Cites FEA studies predicating that expanded synthetic natural gas production could consume up to one-third of domestic production of natural gas liquids and increase dependence upon imports.

Roger E. Billings, President, Billings Energy Corp., Provo, Utah (September 9)

Urges greater Federal support of research on hydrogen as an alternative fuel source by ERDA and other Federal agencies.

Manufacturing Chemists Association, Mr. Edward Donley, Chairman, Executive Committee (September 14)

Opposes plan's support of expanded construction of synthetic natural gas (SNG) facilities. Contends production of SNG is only the conversion of one clean fuel to another with a substantial energy loss in the process. Argues that SNG production will threaten chemical industry with possible feedstock shortages and higher feedstock prices. Cites FEA study predicting that expanded SNG production could consume up to 33 percent of domestic production of natural gas liquids.

Chamber of Commerce of the United States, Richard L. Lesher, President (September 13)

Recommends the following be adopted rather than H.R. 8444 (along with decontrol of oil prices and deregulation of natural gas) :

- (1) Enact environmental laws which, while protecting the health of our people, will work to increase supplies and conserve more precious fuels such as natural gas;
- (2) Simplify the regulatory process to streamline the siting of energy facilities; and
- (3) Provide for the orderly and timely leasing of oil and gas from the Outer Continental Shelf and for coal, geothermal, and oil shale from Federal lands.

Hon. Nelson A. Rockefeller, Former Vice President of the United States (September 13)

Proposes creation of self-liquidating Energy Development Corporation to provide loans, loan guarantees, price guarantees, equity investments and other financial assistance to the private sector for energy projects unable to secure financing in the private sector. Emphasizes that proposed corporation would not finance any project for which financing could be obtained privately, and that corporation would not provide financing on more favorable terms than those extended to similar projects in the private sector.

In support of corporation, cites risks in development of new technologies, and notes uncertainties about future price of energy and Federal regulation; believes corporation will reduce risks to private sector for commitments of capital and initiative. Cites estimates that over \$1 trillion will be required over next decade to meet future energy needs. Suggests that proposed corporation be capitalized at \$25 billion with authority to enter into additional obligations up to \$75 billion.