

May 13, 2025

Re: 45Z Clean Fuels Production tax credit must not be expanded

Dear Speaker Johnson, Leader Thune, Minority Leader Schumer, Minority Leader Jeffries, Senate Finance Committee Chair Crapo, and House Ways & Means Chair Smith:

The Green Scissors coalition is dedicated to cutting wasteful and environmentally harmful government spending. As a coalition of free-market, taxpayer, and environmental organizations, we hold a wide range of views on the proper scope of government spending. We do, however, strongly agree that raising new revenue should start by cutting programs and tax expenditures that are harmful to taxpayers and the environment. We are therefore concerned that the House Ways and Means Committee's reconciliation bill would expand the 45Z Clean Fuels Production Tax Credit.

We urge the Committee to not extend the 45Z credit through 2031. The credit already has a high price tag, it is expected to cost taxpayers between \$2.9¹-\$16.6² billion by the time it expires in 2027. Extending the tax credit through 2031 would double the lifespan, and likely the expected cost, of this already large tax subsidy. This significant cost to taxpayers will compound with other changes to the tax credit proposed in the Ways and Means bill.

We also urge the Committee to not broaden the 45Z credit by excluding emissions from indirect land-use changes from the lifecycle emissions requirement. These emissions can be significant, as incentives for biofuels can spur the conversion of carbon rich grasslands and wetlands into corn and soy crops that are only grown to capture the subsidy. Excluding these emissions from the credit's requirements would distort this already large subsidy into a giveaway to mature industries that already benefit from duplicative federal subsidies. This change would create a dual cost on taxpayers — driving up the overall cost of this subsidy while also increasing consumer prices. Subsidies for biofuels, like soy biodiesel and corn ethanol, create a market distortion that diverts soybean and other vegetable oils away from food production and into fuel production. This has created food price hikes and higher feed prices for livestock producers across the U.S.³ The language expanding 45Z would exacerbate the inflationary pressure on American consumers and potentially add billions to our national debt.

Our nation is facing a fiscal crisis. The national debt has surged past \$36 trillion — exceeding 120 percent of the country's annual economic output and reaching its highest level since the

¹ Joint Committee on Taxation, "Estimated Budget Effects of the Revenue Provisions of Title I - Committee on Finance of an Amendment in the Nature of a Substitute to H.R. 5376," July 28, 2022. <https://www.finance.senate.gov/imo/media/doc/7.29.22%20Estimate%20of%20Manchin%20Schumer%20agreement.pdf>.

² U.S. Department of Treasury, "Tax Expenditures Fiscal Year 2026," November 27, 2024. <https://home.treasury.gov/system/files/131/Tax-Expenditures-FY2026.pdf>

³ International Food Policy Research Institute (IFPRI), "Food versus Fuel v2.0: Biofuel policies and the current food crisis," April 11, 2023, <https://www.ifpri.org/blog/food-versus-fuel-v20-biofuel-policies-and-current-food-crisis/>

end of World War II. Extending the 45Z tax credit and loosening eligibility requirements would only increase costs without providing commensurate benefits to taxpayers.

Respectfully,

Friends of the Earth
Taxpayers for Common Sense
R Street Institute
Environment America
U.S. PIRG