

Ms. Amy Kiser
9415 Bowdoin Way
Edmonds, Washington 98020

Dear Ms. Kiser:

Thank you for your letter of August 9, 2000 to President Clinton regarding your objection to a proposal to extend the 1.5 cent/kilowatt hour wind and biomass tax credit to include "open-loop" biomass. The White House forwarded your letter to the U.S. Environmental Protection Agency (EPA) for a response, and we apologize for the subsequent delay in our response to you. Your objection centered around your concern that the definition of "open-loop" would encompass segregated recovered paper and wood, and that the tax credit would encourage the burning of these materials, and thereby divert them from recycling.

As I am sure you know, the final changes to Section 45 were more limited than some of the initial proposals. With the exception of poultry litter, the bill did not include "open-loop" biomass. The 106th Congress considered several bills proposing to modify Section 45 of the Internal Revenue Code (the law which provides the tax credit). In defining "open-loop," Congress considered a variety of cellulosic waste materials derived from forest-related resources (e.g., slash, brush, and tree trimmings, but excluding old-growth timber), waste pallets, crates, and dunnage, but not including post-consumer waste paper, and agricultural sources such as orchard, vineyard, grain, sugar and other crop residues. However, as explained above, the final bill was more limited.

If you are interested, you can read the complete final text, enacted as Section 507 of Public Law 106-170, at the Library of Congress Internet site. At <http://thomas.loc.gov>, search for Public Law 106-170. Also, for your convenience, I have enclosed a copy of the pertinent portion of Section 507. The effect of this final law is to extend the tax credit to no waste material other than poultry waste.

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As we strive to implement the Resource Conservation and Recovery Act, the Pollution Prevention Act, and President Clinton's Executive Order 13101, "Greening the Government Through Waste Prevention, Recycling, and Federal Acquisition," we continue to favor waste reduction and recycling over disposal. We greatly appreciate your interest in waste reduction and recycling and your concern for actions which might create an economic disadvantage for recycling and resource conservation.

Sincerely,

Elizabeth A. Cotsworth, Director
Office of Solid Waste

Enclosure

RO 14531

SEC. 507. EXTENSION AND MODIFICATION OF CREDIT FOR PRODUCING ELECTRICITY FROM CERTAIN RENEWABLE RESOURCES.

(a) EXTENSION AND MODIFICATION OF PLACED-IN-SERVICE RULES- Paragraph (3) of section 45(c) of the Internal Revenue Code of 1986 is amended to read as follows:

 ` (3) QUALIFIED FACILITY-

 ` (A) WIND FACILITY- In the case of a facility using wind to produce electricity, the term `qualified facility' means any facility owned by the taxpayer which is originally placed in service after December 31,1993, and before January 1, 2002.

 ` (B) CLOSED-LOOP BIOMASS FACILITY- In the case of a facility using closed-loop biomass to produce electricity, the term `qualified facility' means any facility owned by the taxpayer which is originally placed in service after December 31, 1992, and before January 1, 2002.

 ` (C) POULTRY WASTE FACILITY- In the case of a facility using poultry waste to produce electricity, the term `qualified facility' means any facility of the taxpayer which is originally placed in service after December 31, 1999, and before January 1, 2002.'.

(b) EXPANSION OF QUALIFIED ENERGY RESOURCES-

(1) IN GENERAL- Section 45(c)(1) of such Code (defining qualified energy resources) is amended by striking `and' at the end of subparagraph (A), by striking the period at the end of subparagraph (B) and inserting `, and', and by adding at the end the following new subparagraph:

 ` (C) poultry waste.'.

(2) DEFINITION- Section 45(c) of such Code is amended by adding at the end the following new paragraph:

 ` (4) POULTRY WASTE- The term `poultry waste' means poultry manure and litter, including wood shavings, straw, rice hulls, and other bedding material for the disposition of manure.'.