



Date: September 20, 2022
To: Members of the Michigan House Tax Policy Committee
From: Nick Occhipinti, Government Affairs Director
Re: Oppose; Senate Bill 814 Ethanol Tax Subsidy

Chairman Hall and Members of the House Tax Policy Committee:

The Michigan League of Conservation Voters opposes Senate Bill 814 as an ineffective tax credit that will not be felt by drivers at the pump, and that would exacerbate air and water pollution if more ethanol is produced and consumed in Michigan.

An ineffective subsidy that will not reduce fuel prices

An ethanol tax credit will not provide relief at the pump for Michiganders struggling to afford gasoline. Gas and fuel prices are driven by globally priced commodity goods, a significant portion of the modest tax credit proposed in SB 814 would go to retail gas station owners and their suppliers — rather than to consumers at the pump or struggling Michiganders.

More, tax cuts at the pump are not targeted reasonably or equitably. Millions of Michiganders are doing very well and simply don't need economic assistance; many others do need real economic relief, but this tax credit does not target them, and will not be felt in weekly budgets.

Ethanol is harmful to Michigan's air and water

Ethanol-blended gasoline was once purported to reduce climate emissions compared to standard petroleum products. However, a rash of studies have thrown that notion into doubt. According to the Energy Information Agency (EIA), "The effect that biofuel use has on net CO₂ emissions depends on how the biofuels are produced and whether or not emissions associated with cropland cultivation are included in the calculations."

It is now also understood that [Ethanol-blended gas emits more pollutants causing ozone](#) and smog, which is already at high levels during summer months. According to the EIA, ethanol and ethanol-gasoline blends burn cleaner and at higher octane levels, but they also have higher evaporative emissions from fuel tanks and dispensing equipment. These evaporative emissions contribute to the formation of harmful, ground-level air pollution.

Finally, perhaps most environmentally damaging is the impact of ethanol production on land and water. A 2016 EPA study directly linked the dead zone in the Gulf of Mexico to nitrogen runoff



from agricultural production in the Upper Mississippi Corn Belt region. The study specifically cites the rise of corn production, land conversion, and fertilizer use in response to ethanol policy incentives as likely culprits.

Tax relief should be effective, and targeted at those who need it

Senate Bill 814 would grant a 5 cent or 8.5 cent tax credit to gas stations for every gallon of E15 or E85 gasoline sold, respectively. The Senate Fiscal Agency estimates the bill will cost the state at least \$2.3 million per year, and House Fiscal up to \$4 million per year.

Michigan LCV supports effective, immediate, and targeted tax relief for those that need it - with policies like expanding the [Earned Income Tax Credit](#), and we urge the legislature to use the state's ongoing, unprecedented financial resources to invest in clean energy and advanced mobility solutions that will increasingly insulate drivers from the global fuel commodities market.

Respectfully,

A handwritten signature in black ink, appearing to read "Nicholas Occhipinti". The signature is fluid and cursive.

Nicholas Occhipinti
Government Affairs Director
Michigan League of Conservation Voters