



The Illinois Corn Growers Association supports National Corn Growers Association policy that reads:

“VEETC should be transitioned to a market based safety net for the ethanol industry.”

WHY WAS VEETC ORIGINALLY NECESSARY?

The Volumetric Ethanol Excise Tax Credit (VEETC), which provides fuel blenders with gasoline, is set to expire December 31, 2011.

- Originally Established to Grow Market for Ethanol
- Worked Best When Ethanol Prices Were Higher than Gasoline and Before RFS II
- Provided Advantage to Marketers Blending Ethanol
- Depending on Price Relationships VEETC Could Benefit Consumers, Marketers or the Ethanol Industry
- Now Costing Over \$6 Billion per year

with a federal tax credit of 45 cents for each gallon of ethanol they blend

NCGA delegates further resolved that:

“NCGA supports reforming tax policy. Ideas to replace existing tax law in the following order include:

1. **A variable ethanol tax rate**
2. **An ethanol tax credit at a reduced rate**

A variable tax credit would have the following benefits:

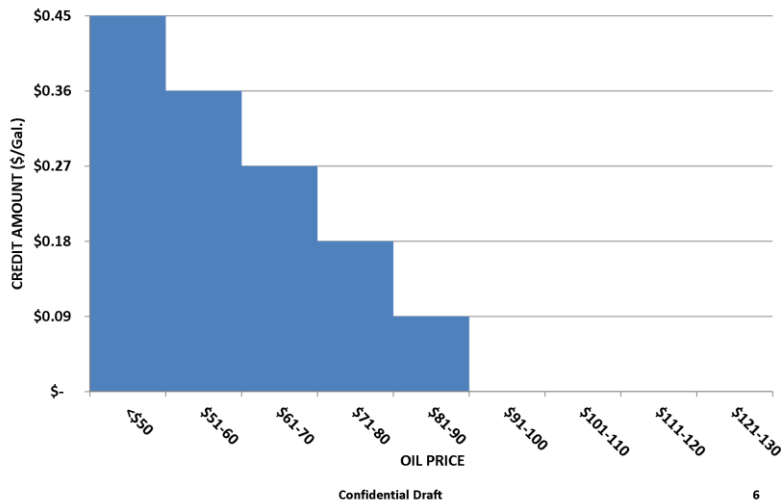
1. **It would be in place only when necessary**
2. **It would not negatively impact other corn demand sectors**
3. **It would reduce the costs to the federal government”**

WHAT IS THE BASIC OBJECTIVE OF A VARIABLE ETHANOL TAX CREDIT TIED TO OIL PRICES?

The primary purpose of a variable tax credit tied to oil prices is to encourage maximum ethanol blending and to assure ethanol demand amidst a backdrop of potentially volatile oil prices.

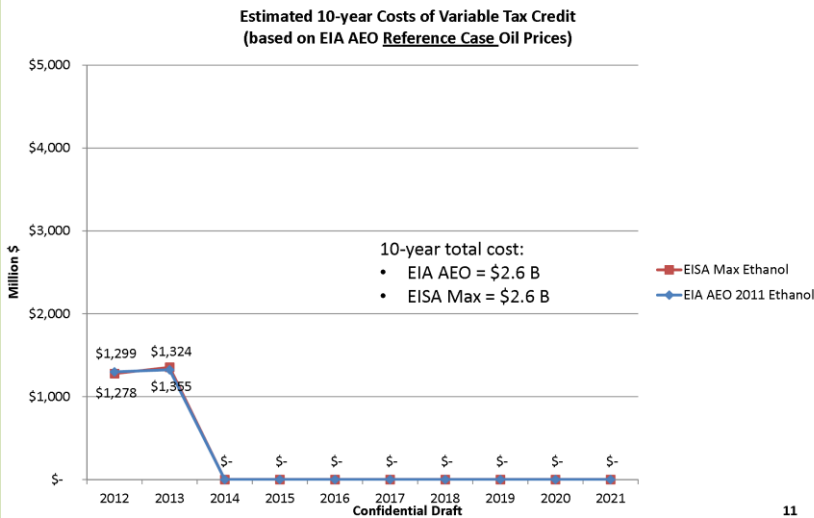
The Volumetric Ethanol Excise Tax Credit has been tremendously important to the United States. It has helped grow the U.S. ethanol industry to almost 14 billion gallons of production annually and reduced our imports of oil by 445 million barrels in 2010.

How a Variable Tax Credit Could Work



Confidential Draft 6

What Might a CBO Score Look Like?



Confidential Draft 11

HOW WOULD A VARIABLE TAX CREDIT WORK?

A variable tax credit would periodically (e.g., quarterly) adjust up and down based on oil prices. When oil prices are high, the value of the credit would be low or zero. As oil prices decrease, the value of the tax credit increases.

According to U of I Economists Dr. Darrel Good, Dr. Scott Irwin, and Dr. Mindy Mallory: The essence of the concept of a variable tax credit is that blenders of ethanol would only receive a tax credit when it is needed to maintain the profitability of blending ethanol, but would not receive a credit when the economics of blending are favorable absent the tax incentive.