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The Committee on Ways and Means

Boustany Opening Statement: Joint Hearing on Energy Tax Policy and Tax Reform

SEPTEMBER 22, 2011 — OPENING STATEMENTS (HTTP://WAYSANDMEANS.HOUSE.GOV/CATEGORY/OPENING-STATEMENTS/) OVERSIGHT (HTTP://WAYSANDMEANS.HOUSE.GOV/SUBCOMMITTEE/OVERSIGHT/) FULL COMMITTEE (HTTP://WAYSANDMEANS.HOUSE.GOV/SUBCOMMITTEE/FULL-COMMITTEE/)

Thank you, Chairman Tiberi. I'd also like to welcome everyone to this morning's hearing on energy tax policy and administration.

There is no doubt our country lacks a comprehensive energy strategy to achieve energy security and create good-paying American jobs. Louisianans know natural gas will be an important part of our transition to new fuel sources for the 21st century. In addition to natural gas, we must ensure that traditional energy sources are affordable and innovative technologies are allowed to flourish.

Yet the Administration continues to advocate for job-killing tax hikes on American energy producers. At today's hearing, we will consider the role of the tax code in our country's energy policy, as well as IRS's effectiveness in implementing existing tax incentives.

In recent years, Congress has sought to promote the development and use of renewable energy by offering tax credits to businesses and individuals. Whether tax credits are an effective way of pursuing this policy – and whether the tax code is the appropriate way to do so – are questions up for debate.

Critics have argued that incentives included in the Recovery Act, such as the Nonbusiness Energy Property Credit, the Residential Energy Efficient Property Credit, and the numerous Plug-in Electric and Alternative Motor Vehicle Credits have not only failed to stimulate the use of alternative energy, but have become the target of fraudulent claims, leading to billions of dollars a year in improperly claimed credits.

There is the case of the residential energy-efficient property credit, meant to promote energy saving home improvements. The Treasury Inspector General for Tax Administration found that hundreds of thousands of dollars of the credit went to prisoners and children, and nearly a third went to individuals with no proof of home ownership.   The IRS was unable to verify whether taxpayers that claimed residential energy credits were indeed eligible to receive the credits, costing taxpayers hundreds of millions of dollars in 2009 alone.

Plug-in Electric and Alternative Motor Vehicle credits have similarly suffered from poor administration and fraud. According to a recent report, although these credits were intended to promote the purchase of hybrid and electric vehicles, a lax eligibility review process resulted in millions in improper payments.

For instance, even though the credit only applied to new vehicles, IRS allowed credits when returns listed years such as 1991, 1979, and strangely enough, even 1300. They even allowed plug-in and hybrid credits for vehicles such as a “Cadillac Escalade,” “Hummer H3,” and “Harley Classic.” One taxpayer successfully claimed a bicycle.

Given these problems, this morning’s hearing will examine whether these credits have served their intended energy policy goals or whether these goals have been overshadowed by the waste, fraud, and abuse of these credits. Further, it is our duty to ask the IRS what it is doing to detect these fraudulent claims to ensure that taxpayer dollars spent on economic recovery are safeguarded from abuse.

I look forward to hearing testimony today to help us craft responsible energy tax policy to unleash America’s energy potential.

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