

NATIONAL STONE, SAND & GRAVEL ASSOCIATION



Natural building blocks for quality of life

September 30, 2004

The Honorable William M. Thomas
U.S. House of Representatives
Washington, DC 20515

Dear Chairman Thomas:

As the 108th Congress prepares to adjourn for the year, I am writing to urge you to approve the inclusion of the ethanol-based motor fuel provisions in the conference agreement on the foreign sales corporation/extraterritorial income tax regime (FSC/ETI) legislation. These provisions will ensure that the full amount of tax collected on ethanol-based motor fuels is deposited into the Highway Trust Fund (HTF) and that the HTF is reimbursed for the difference between the taxes levied on ethanol fuels and gasoline.

The current tax on ethanol-blended fuels is 5.2 cents per gallon less than gasoline, and 2.5 cents of the tax levied on the sale of each gallon of ethanol-blended fuel is diverted into the General Fund rather than deposited into the HTF. Current law will cost the HTF nearly \$3 billion per year in forgone revenue through FY 2009 according to the Joint Committee on Taxation. Instead, we agree with the provisions in the House and Senate versions of the bill that these revenues should properly be used to improve the nation's highway and bridge infrastructure.

The National Stone, Sand and Gravel Association (NSSGA) represents the crushed stone, sand and gravel industry. Our 750 member companies produce 90 percent of the stone and 70 percent of the sand and gravel (construction aggregates) consumed annually in the U.S. Much of this production goes into the construction of highways and bridges and supports almost 300,000 jobs nationwide. NSSGA strongly believes that any final FSC/ETI bill should include the volumetric ethanol tax credit and ethanol excise tax adjustment that would result in ethanol being taxed at the gasoline equivalent level of 18.4 cents per gallon. This provision would return to the Highway Trust Fund as much as \$3 billion additional dollars to help fund critically important highway, infrastructure, safety, and other related programs.

NSSGA members believe that these ethanol tax changes are good and prudent public policy and provide the added benefit of helping to grow the Highway Trust Fund on the eve of the reauthorization of TEA 21. The benefit to the American people, the safety of our roads and infrastructure, and the security and growth of our economy hang in the balance and will depend on the decisions that you and the Congress will make in the weeks and months to come. The aforementioned ethanol provision is an integral piece of this long-term policy and we urge you and your FSC/ETI conference colleagues to strongly support its inclusion in the final version of the FSC/ETI legislation.

Sincerely,

A handwritten signature in black ink, appearing to read "Joy Wilson".

Joy Wilson
President & CEO