



April 6, 2017

President Donald J. Trump
The White House
1600 Pennsylvania Avenue, N.W.
Washington, DC 20500

Subject: Comprehensive Tax Reform & the Northeast Heating Oil Market

Dear Mr. President:

Considering your policy statements and priorities, we believe you share our goal of providing American consumers with a reliable and competitive home heating fuel. As you begin work to simplify the federal tax code and bring meaningful relief to millions of families and small businesses, we ask that you consider the unique needs of heating oil marketers and their consumers in New England and New York.

The heating oil industry remains an integral part of the region's energy economy, supporting tens of thousands of jobs and delivering a safe, efficient, and environmentally-responsible product to nearly five million homes and businesses. Comprehensive tax reform is one of many areas in which our industry can work with your administration and Congressional leaders to promote domestic energy security and provide American businesses with greater freedom to invest in their companies, employees and customers. We feel it is important that you consider the supply needs of energy consumers in our region as you move forward with this noble effort.

New England and New York lack petroleum production and adequate refining capacity and must look outside the region to meet existing demand. Unfortunately, the transportation of liquid fuels from elsewhere in the country is limited due to a fragmented rail system, limited pipeline capacity and port-to-port shipping restrictions under the Jones Act. Thus, imports of motor fuels and heating oil remain a vital component to the regional supply mix, especially during extended periods of cold winter weather.

Given its many economic and environmental benefits, our industry has embraced the blending of sustainable biodiesel with conventional heating oil, a product commonly referred to as Bioheat® Fuel. Adequate supplies of biodiesel are essential to the continued growth and availability of this "next generation" heating fuel. Due to feedstock constraints and other considerations, the region's production capacity for biodiesel is limited and like petroleum-based heating oil, much of it is imported. For example, Canada is a major supplier of petroleum products and biofuels to the Northeast.

The blueprint document released by the Congressional Task Force on Tax Reform on June 24, 2016, titled *A Better Way: Our Vision for a Confident America*, describes potential changes to the tax code in many areas. Of interest to our industry are proposed changes to corporate and individual tax rates and the treatment of pass-through entities, interest and depreciation deductions, the treatment of tangible and

intangible assets, and the deduction of expenses for imported goods. We appreciate that changes made to any one area could affect the “mathematical puzzle” that aims to maximize economic growth while remaining revenue-neutral.

An important component of the blueprint calls for a “border adjustment tax” (BAT) which could effectively impose a 20 percent tax on all imported goods, including home heating oil and biodiesel. The BAT would also apply to imports of furnaces, boilers and water heaters, and could affect construction costs for U.S.-made appliances. Absent a corresponding increase in the value of the U.S. dollar, we are concerned the proposed BAT might increase the cost of these imports and make it more expensive for consumers to heat their homes. Further, if the BAT is structured in such a manner as to encourage energy *exports*, it could inadvertently increase the risk of regional supply disruptions. Energy shipped from U.S. refining centers to New York, New Haven, Providence, Boston, Portsmouth or Portland might be more likely to be exported overseas and the region could end-up even more dependent on imports.

As you proceed with the important goal of rewriting and simplifying the federal tax code, we hope you and your partners in Congress will consider and assess the economic impact to consumers and businesses in our region. We are eager work with your administration as it moves forward on this and other policy initiatives such as infrastructure, energy development, and regulatory relief.

Thank you in advance for your consideration.

Sincerely,

New England Fuel Institute
New York Oil Heating Association
New York State Energy Coalition
Oil Heat Institute of Long Island

cc: The Honorable Steven Mnuchin, U.S. Secretary of the Treasury
Gary Cohn, Director, National Economic Council
New England Congressional Delegation
New York Congressional Delegation