



Bulk Rate
U.S. Postage Paid
Permit No. 1013
Foley, AL 36535

Friends of Perdido Bay
10738 Lillian Highway
Pensacola, FL 32506
850-453-5488

ADDRESS SERVICE REQUESTED

Tidings The Newsletter of the Friends of Perdido Bay

November/December 2012

Volume 25 Number 6

Jackie Lane - Editor

www.friendsofperdidobay.com

Corporate Welfare

As the U.S. approaches the fiscal cliff, we all know that our taxes will be going up next year. The politicians are talking about closing tax loopholes to offset some of our tax increases. Well, here is one tax loophole which really needs to be closed - the “black liquor subsidy” or tax credit which the paper industry has been receiving since 2009. This has to be the mother load of all tax credits. This tax loophole is definitely helping to increase the deficit. In certain cases, this tax loophole keeps these paper companies operational no matter how inefficient they are. An example is Smurfit Stone which had a black liquor credit of \$654 million with a net income of \$8 million in 2009. In 2009, International Paper announced a tax rebate of \$71.6 million for using black liquor at its 15 mills from Nov. 14 to Dec 14, 2008. So you can understand the magnitude of this rebate.

Black liquor is the fluid left over after wood chips have been dissolved in a very alkaline sodium sulfite solution leaving wood fibers. Wood fibers are removed for paper making and the black liquor which contains the cooking chemicals, lignin, and other removed chemicals is recycled. It is concentrated in evaporators, mixed with diesel fuel, and used as fuel to generate power in the mill. This process, called the Kraft process, recaptures most of the cooking chemicals. If the chemicals were not recaptured, the Kraft process would not be economical to use. It has been used since the 1930's. The Kraft process is used primarily with pine trees because pine trees have too much resin to grind. Grinding trees is another way to obtain paper fibers.

The paper industry figured out a way to turn the byproduct - black liquor - into gold. According to two articles in the Washington Post (4/26/11 and 5/3/11), the black liquor subsidy began with a 2007 tax credit enacted in Congress to encourage new industrial fuels from biomass. This was the 50-cents per gallon “alternative fuel mixture” credit. In 2009, the paper industry received more federal money than any other industry outside the auto sector (according to the Washington Post article). This was the “bailout” of the paper industry, but with no pay back required. Congress closed the loophole effective Dec. 31, 2009, to use the projected savings to pay for health-care reform. But wait a minute, it turns out there was another loophole - the “cellulosic biofuels credit” which Congress also tried to close. This credit is even more lucrative paying \$1.01 per gallon of black liquor. On June 28, 2010, the IRS ruled that paper manufactures could use black liquor to claim a benefit using the “cellulosic biofuels credit” and it would be retroactive to 2009. The only hang up