American Iron and Steel Institute

Steelgram

Immediate Attention Requested

May 6, 2010

To: Members of the House Steel Caucus
House staff assigned to steel and/or tax issues

PLEASE TELL SPEAKER PELOSI AND CHAIRMAN LEVIN YOU SUPPORT EXTENDING TWO STEEL INDUSTRY TAX CREDIT PROVISIONS IN THE FINAL TAX EXTENDER PACKAGE

Background: The Senate's American Workers, State and Business Relief Act of 2010 provides for the extension of two tax credit provisions that benefit both the environment and the steel industry: the extension of § 45K(g)(1) of the Internal Revenue Code and the extension of the Steel Industry Fuel (SIF) tax credit. Both provisions would encourage new investment in cokemaking facilities for steel production. Neither provision was included in the original House tax extender package, but both are under consideration for the final package to be considered as early as next week.

Metallurgical coke which is produced from coal is essential to the production of high-grade steel. Currently, two-thirds of the nation's coke batteries are more than 25 years old and new investment is much needed. However, the cost to construct a new coke battery can exceed $500 million per plant. The nonconventional fuels tax credits can help with these costs, but under the current § 45K(g)(1), a new coke or coke gas facility must have been in service by January 1, 2010 to qualify for the credits. Extending this deadline will encourage new investment that will reduce the environmental impact of cokemaking and create jobs for communities that desperately need them.

The SIF Credit expired at the end of 2009. It provided tax credits to companies that produce SIF, which is a type of refined coal that is manufactured by taking the hazardous waste product called coke waste sludge and processing it into fuel that is put back into the cokemaking process. This brings the environmental benefit of avoiding landfilling or incineration of the hazardous coal waste sludge while also increasing the BTU value of the coal in the coking process.

Situation: Due to the economic downturn, the steel industry was forced to, among other things, suspend capital investment projects and has been unable to take advantage of some of the beneficial tax credits enacted by Congress that expired at the end of 2009, including Section 45K(g)(1) that provides for nonconventional fuel tax credits for new coke or coke gas facilities and the SIF credit. The Senate's American Workers, State and Business Relief Act of 2010 included an extension of section 45K(g)(1) and SIF but the House tax extender package did not.

Request: Thank you to those who have signed the attached letters on these provisions. Please contact Speaker Pelosi and Chairman Levin to express your support for including these provisions in the final extenders package that the House may vote on as early as next week.

Sincerely,

Thomas J. Gibson

Thomas J. Gibson
President and CEO