

Capitol Hill Report



A Publication of CNP Action, Inc.

April 16, 2009

Global Warming Tax: Round 2

Michael Steele, a spokesman for House Minority Leader John Boehner referred to the Global Warming Tax when he said: “The last thing we need is a massive tax increase in a recession, but reportedly that’s what the White House is offering: a massive \$1.9 trillion tax hike affecting every single American who drives a car, turns on a light switch or buys a product made in the United States...since this energy tax won’t affect manufacturers in Mexico, India and China, it will do nothing but drive American jobs overseas”.¹ This tax would wreak havoc on our weak economy by landing a knuckle-punch on both businesses and consumers.

THE FAILED BLUEPRINT FROM LAST CONGRESS

A few members in the last Congress championed the Lieberman-Warner Act (Global Warming Tax: Round 1) which laid the likely blueprint for future climate change legislation. It called for a system to reduce carbon emissions in the United States by capping the emissions of 6 greenhouse gases by certain industries. In addition, it created an independent agency called the Climate Change Credit Corporation (CCCC) to distribute a set amount of “pollution” permits to each firm. If those firms needed more permits to emit, they could purchase a limited number of additional permits at an auction administered by the CCCC. If the regulated entities emitted less greenhouse gases than their permits allowed, they could auction them to other buyers for profit. The ultimate goal is a massive, “voluntary” reduction in greenhouse gases by companies that wish to save money by reducing emissions and avoiding the auction process.²

¹ LoBianco, Tom. *The Washington Times*. 18 March 2009.

<http://www.washingtontimes.com/news/2009/mar/18/obama-climate-plan-could-cost-2-trillion/>

² Beach, William, Kreutzer, David, Lieberman, Ben, and Loris, Nicolas. “The Economic Costs of the Liberman-Warner Climate Change Legislation”. *The Heritage Foundation*. 12 May 2008.

<http://www.heritage.org/research/EnergyandEnvironment/cda08-02.cfm>

TAXING REGULATIONS AND BROKEN PROMISES

The government expects to receive considerable revenue from these permit auctions. In advocating this scheme, the Obama Administration initially claimed revenues of \$646 billion. However, it recently raised the projected tab to around \$1.2 trillion.³ Of course, Washington being Washington, all this cash will be spent. The President hopes to spend \$525 billion on his “making work pay” tax credit which benefits Americans with no Federal income tax liability, and the rest would go to alternative energy projects.⁴

This cap and trade plan also violates an Obama campaign promise to reduce taxes on every American earning less than \$250,000 per year. The Congressional Budget Office (CBO) estimates that a 15% cut in emissions would cost the average household in the bottom-income quintile about 3.3% of its after-tax income each year or about \$680, not including the costs of reduced employment and output. It would cost the three middle quintiles 2.9% of their after-tax income or between \$880 and \$1500. The top quintile would only pay 1.7%.⁵ It’s clear that this scheme impacts the poor more than the wealthy, even though the President hopes a chunk of the revenues will go towards his tax credit for the non-taxpayers in society. As Phil Kerpen most eloquently stated, “while the left hand offers \$400 or \$800 (amount received by the “Making Work Pay” tax credit), the right hand snatches \$4,000 (or more) from the pockets of American families. Some deal.”⁶

DEEPENING THE CRISIS

In his quest to force unreasonable greenhouse gas emissions caps upon America, the President risks deepening the current economic crisis. The affected businesses must either cut emissions along with the productivity and jobs associated with those emissions, or they must buy permits to continue operating at normal levels. Either option will most likely result in increased unemployment. Should businesses choose to raise prices to maintain profitability, the consumers take a hit. If those consumers happen to be businesses, their rising costs may cause them to layoff workers as well. While it’s tough to perfectly predict every negative consequence, the bad undoubtedly outweighs the good.

ENERGY: THE LIFEBLOOD OF THE ECONOMY

Energy prices will undoubtedly rise if the government implements this tax. President Obama said last year, “Under my plan of a cap and trade system, electricity rates would necessarily

³ LoBianco, Tom. *The Washington Times*. 18 March 2009.

<http://www.washingtontimes.com/news/2009/mar/18/obama-climate-plan-could-cost-2-trillion/>

⁴ *The Wall Street Journal*. “Who Pays for Cap and Trade?”. 9 March 2009.

<http://online.wsj.com/article/SB123655590609066021.html>.

⁵ *The Wall Street Journal*. “Who Pays for Cap and Trade?”. 9 March 2009.

<http://online.wsj.com/article/SB123655590609066021.html>.

⁶ Kerpen, Phil. “Cap-and-Trade=Biggest Tax Increase in US History”. 10 March 2009.

<http://americansforprosperity.org/031009-cap-and-trade-biggest-tax-increase-us-history>.

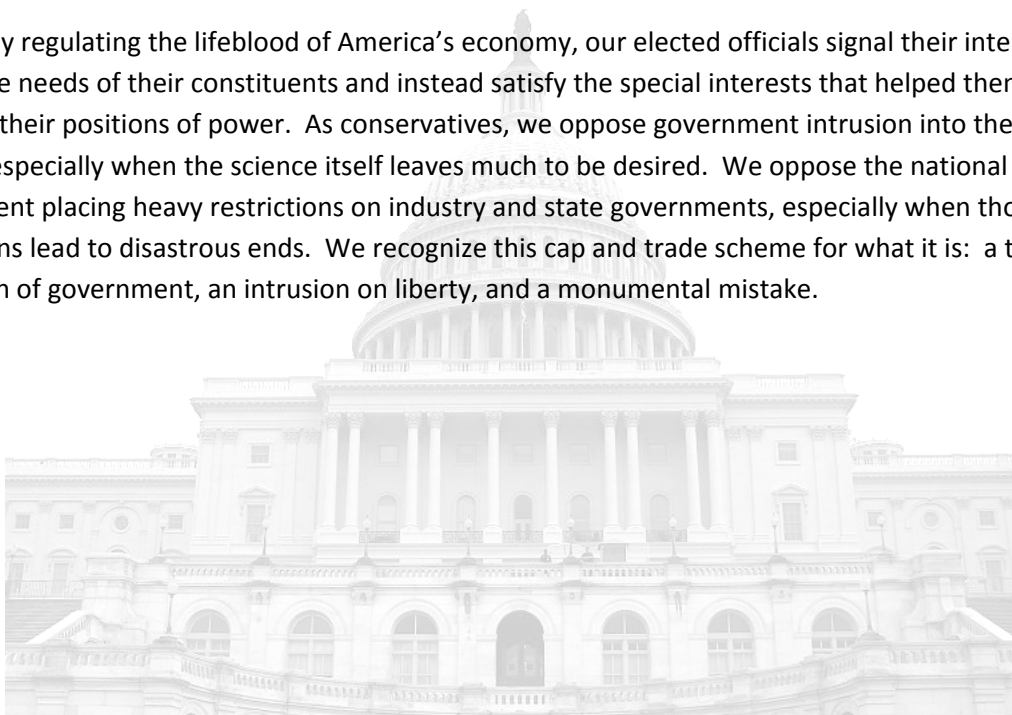
skyrocket...they would have to retrofit their operations. That will cost money. They will pass that money on to consumers.”⁷

One might describe energy as the lifeblood of the economy. It allows us to power assembly lines, illuminate shopping malls, drive to work, and a host of other common and necessary daily activities. We must warn our fellow countrymen of the coming energy tsunami and its potential effects on both the personal and professional aspects of life for Americans.

John Boehner, the House Minority Leader summed it up perfectly when he said that cap and trade “will increase taxes on all Americans who drive a car, who have a job, who turn on a light switch, pure and simple.”⁸

THE HEART OF THE MATTER

By regulating the lifeblood of America’s economy, our elected officials signal their intent to ignore the needs of their constituents and instead satisfy the special interests that helped them obtain or retain their positions of power. As conservatives, we oppose government intrusion into the free market, especially when the science itself leaves much to be desired. We oppose the national government placing heavy restrictions on industry and state governments, especially when those restrictions lead to disastrous ends. We recognize this cap and trade scheme for what it is: a tax, an expansion of government, an intrusion on liberty, and a monumental mistake.



⁷ Kerpen, Phil. “Cap-and-Trade=Biggest Tax Increase in US History”. 10 March 2009. <http://americansforprosperity.org/031009-cap-and-trade-biggest-tax-increase-us-history>.

⁸ Murray, Shailagh. “Republicans Attack Obama Budget, Call It Loaded With Spending”. *The Washington Post*. 26 February 2009. http://www.washingtonpost.com/wp-dyn/content/article/2009/02/26/AR2009022602822_pf.html.

ACTION ITEMS

- 1) Inform your local, state, and nationally elected officials that you oppose cap and trade. To find contact information for senators, go to: www.Senate.gov. To find contact information for representatives, go to: www.House.gov.
- 2) Pass this report on to those in your network.

CNP Action, Inc. is the section 501(c)(4) sister organization of the Council for National Policy, an educational organization founded in 1981. CNP Action, Inc. does not support candidates or political parties, but it may promote issues or specific pieces of legislation.

1411 K STREET, N.W. · SUITE 601 · WASHINGTON, D.C. 20005
TEL 202.207.0171 · FAX 202.207.0173 · EMAIL INFO@CFNPACTION.ORG

-Written by Shaun Waymire

