House of Representatives
Washington, DC 20515

BOB INGLIS
4TH DISTRICT, SOUTH CAROLINA

SCIENCE AND TECHNOLOGY
FOREIGN AFFAIRS

THE TRIPLE WIN: ENERGY SECURITY, THE ECONOMY AND CLIMATE CHANGE: AN ENERGY SECURITY PAYROLL TAX SWAP

THE CHALLENGE

The economic downturn calls for action to stimulate the economy, such as reducing the amount of taxes taken out of each paycheck.

Our ongoing dependence on foreign oil from hostile nations also calls for action to reduce that dependence and move to fuels of the future.

Even if you disagree with the science of climate change, everyone agrees that less carbon in the atmosphere would not hurt us. By reducing taxes on something we want more of (income) and imposing a tax on something we want less of (carbon dioxide), an environmental fix could become a decisive, economy-expanding national security fix.

Here's a plan, proposed by U.S. Rep. Bob Inglis (SC-4). Similar concepts have been advanced by voices across the political spectrum—from President Reagan's economics advisor Dr. Arthur Laffer to Vice President Al Gore:

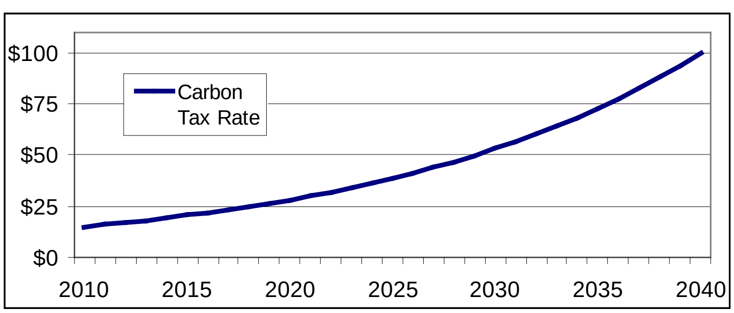
STEP 1: LOWER TAXES ON LABOR

- Lower the payroll tax for employers and employees by an amount equal to the tax swap.
- Seniors would receive rebates from carbon tax receipts to keep revenue neutral.

The tax swap will generate as much as $88.7 billion in its first year to rebate payroll taxes, amounting to a payroll tax reduction of more than 10% on average. The Social Security Trust Fund would not be touched; the swap would be handled in the General Fund of the Treasury.

STEP 2: ATTACH A PRICE TO CARBON

- Carbon price would start at $15 per metric ton of CO_2 in 2010 and increase to $100 by 2040, adjusted for inflation afterwards.
- Tax would apply to fossil fuels as they enter the economy: at the mine mouth, the oil refinery and the natural gas pipeline. This upstream application of the tax will make it easy to implement and reduce administrative costs.
- To provide businesses certainty and ability to plan, the bill would include a clear schedule of rates.



WASHINGTON, DC
100 CANNON HOUSE OFFICE BUILDING
WASHINGTON, DC 20515
PHONE: (202) 225-6030
FAX: (202) 226-1177

SPARTANBURG, SC
464 EAST MAIN STREET, SUITE 8
SPARTANBURG, SC 29302
PHONE: (864) 582-6422
FAX: (864) 573-9478

UNION, SC
PHONE: (864) 427-2205

www.house.gov/inglis

GREENVILLE, SC
105 NORTH SPRING STREET, SUITE 111
GREENVILLE, SC 29601
PHONE: (864) 232-1141
FAX: (864) 233-2160

STEP 3: ATTACH THE SAME PRICE AT THE BORDER

· In order to accord similar tax treatments to domestic and imported goods, products imported from countries without carbon constraints would be subjected to the U.S. carbon tax. The tax would be applied at the U.S. port of entry.

· Some will argue that this equal application of a carbon tax to imported goods violates existing WTO agreements. The equities, however, are in favor of an equal application of the tax.

IMPACTS ON ENERGY PRICES

Short Term Energy Price Impacts of $15 per metric ton CO_2 tax					
		Unit	Price per Unit (2006) ($)	Tax per Unit of Energy ($)	Price Change (%)
	Gasoline	gal	2.57	0.15	5.8
	Natural Gas	MMBtu	13.34	0.80	6.0
	Coal	MMBtu	1.70	1.42	83.5

The tax will encourage energy consumers to replace carbon-intensive forms of energy with low- and no-carbon energy alternatives. Increasing demand for clean energy technologies will improve our environment, diminish our dependence on the politically volatile oil-producing regions of the world, and stimulate our home-grown innovation economy.

The price effects on gasoline may not be sufficient to reduce our dependence on foreign oil. The tax on petroleum could be increased further, with corresponding refunds to taxpayers.

IMPACTS ON ECONOMY

Once the commitment to reduce labor costs while shifting to internalize the cost of carbon in fuels is made, market forces will unleash innovation because of known costs and predictible returns for innovation. We can foresee energy alternatives or “green jobs” to emerge on the anticipation of cost competitive alternatives.