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**ICYMI: Carbon tax to replace anti-growth taxes “could tick the box on all the stated goals of Republican tax reform”**

*Excerpts from Tax Notes: “News Analysis: Comparing a Border Adjustment Tax and a Carbon Tax”*

By Mindy Herzfeld, Contributor, *Tax Notes*

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“There is increasing conservative support for a carbon tax used to reduce corporate or other capital taxes that is enacted in conjunction with a scaling back of regulatory mandates for clean energy programs. Pairing it with rate reductions could make the tax more palatable to Republican leaders because it could help them achieve legislative successes and fulfill promises of tax reform ...

“Most economists love the idea of a carbon tax, considering it a highly efficient tax that can correct the negative externalities of carbon, which is generally considered a good whose pricing doesn’t truly reflect the measure of social harm it causes ... They generally view any type of consumption tax as more efficient than a tax on income or capital. And as a new publication by the Alliance for Market Solutions shows, conservative economists are increasingly supporting a carbon tax whose revenues would be used to reduce inefficient taxes, such as capital or corporate taxes (see [Carbon Tax Policy: A Conservative Dialogue on Pro-Growth Opportunities](#) (2017)). A carbon tax with revenues used to offset other taxes is, in most economists’ perception, a win-win ...

“[A] carbon tax — even on the low end of what many economists consider appropriate — is projected to raise amounts similar to or in excess of projected revenues from the border-adjustment tax. Robert Carroll of EY has estimated that a \$20-per-ton carbon tax could raise \$930 billion over the 10-year budget window, almost fully matching projected revenues from the border-adjustment tax. In 2013 the Congressional Budget Office projected that a \$25-per-ton carbon tax would raise more than \$1 trillion over 10 years. Many economists propose an even higher tax to most effectively limit carbon emissions ...

“[A] carbon tax could be easier to pass because it permits just the type of political deal-making necessary to accomplish tax reform ...

“Many economists believe that using the revenues from a carbon tax to reduce other, more distortionary taxes could produce a net overall benefit for the U.S. economy. Carroll has pointed to EY calculations showing that a carbon tax set at a rate that reduced carbon emissions by the same amount as Obama-era regulations, with a corresponding corporate income tax rate reduction to 16 percent, could lead to a 2.1 percent increase in GDP. Aparna Mathur of the American Enterprise Institute (AEI) and Adele Morris of the Brookings Institution have also estimated that a carbon tax that replaced corporate and other income taxes could lead to economic growth on a macro level ...

“[R]ecent proposals for a carbon tax have generally recommended that the tax be implemented along with a border adjustment. [Phill] Swagel of AEI has argued that a border-adjusted carbon tax would be a natural way to ensure that U.S. companies compete on a level playing field. He has suggested that if done properly, a border adjustment could avoid conflicting with U.S. trade agreements (a major concern raised regarding the blueprint’s border adjustment tax). Similarly, Mathur has argued that by making the United States less dependent on foreign energy and encouraging innovation in non-fossil-fuel technologies, a carbon tax would make the country more competitive in the long run ...

“A carbon tax — if enacted along the lines proposed by conservative economists to include a corporate income tax rate reduction and a border adjustment — could tick the box on all the stated goals of Republican tax reform. It would be bold and could be pro-growth, create jobs, and encourage U.S. businesses to develop innovative clean energy products. For all those reasons, it could strengthen U.S. competitiveness globally and attract bipartisan support. Although political consensus is that chances of enactment are virtually nonexistent, the past year has shown that unlikely political events can happen.”

*Read the full piece [here](#). (Subscription required.)*

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*The Alliance for Market Solutions (AMS) aims to create a conversation among conservatives on the benefits of market-oriented solutions to one of America’s pressing economic challenges: advancing clean energy and reducing carbon pollution. AMS believes in the need for pro-growth solutions for our economy, replacing harmful government regulations, and responding to changing public attitudes and demographics. Learn more at [www.allianceformarketsolutions.org](http://www.allianceformarketsolutions.org).*