



For Immediate Release
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A Carbon Tax Could Make the TCJA’s Individual Provisions Permanent and Grow the U.S. Economy

Washington, D.C. – The Tax Foundation, in collaboration with the Alliance for Market Solutions (AMS), has released an encouraging and informative new paper on the potential for a carbon tax to finance a permanent extension of the Tax Cuts and Jobs Act of 2017 (TCJA). The paper shows that revenue from a federal carbon tax could offset the cost of making the individual provisions of TCJA permanent and increase the economy by 1 percent in the long run.

“The Tax Foundation’s empirical modeling demonstrates that a reasonable carbon tax can finance the permanent extension of the 2017 tax cuts without adding to the deficit. And, with modest other adjustments, this can happen without making the tax code less progressive,” said AMS Executive Director Alex Flint. “The new report highlights the valuable role a carbon tax can play in long-run tax and fiscal policy and the benefits it can offer beyond those directly related to climate policy.”

Key findings from the paper include:

- A \$60 per ton carbon tax in 2021 that grows at 5 percent annually would raise sufficient federal tax revenues to cover the cost of making permanent the individual provisions of TCJA.
- To offset the regressivity of both the extension of TCJA provisions and the carbon tax, the Tax Foundation considers expanding refundable tax credits like the Earned Income Tax Credit or the Child Tax Credit.
- The carbon tax as modeled would be revenue-neutral in 2025 and beyond and have a positive effect on the long-run size of the economy.

A full version of the paper can be found [here](#).

Learn more about AMS and its research program at amsresearch.org and [follow](#) the organization on Twitter.

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[Alliance for Market Solutions](#) (AMS) is an organization of conservative leaders with experience

in business, government, and the intellectual community who know that markets and economic incentives are the most powerful drivers of change and are more efficient and effective than top-down regulation. We aim to educate conservative policymakers on the benefits of market-oriented solutions to one of America's most pressing economic challenges: advancing clean energy and reducing carbon pollution.

The carbon tax policy we support is consistent with a pro-growth conservative agenda. It would replace costly regulations and prevent new regulations from burdening families and job creators. And it would eliminate economically harmful taxes on investment and family incomes.

AMS is a 501(c)(3) non-profit educational organization. We don't engage in electoral politics on behalf of any candidate, campaign or party. We are recruiting allies and developing policy analyses to help conservative policymakers consider a pro-growth, conservative carbon tax policy.