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**New Report: Macroeconomic impact of a carbon tax
compared to a corporate income tax rate hike**

WASHINGTON — As reconciliation negotiations evolve on Capitol Hill, the Alliance for Market Solutions (AMS) released a new report that compares the macroeconomic impact of a carbon tax to a revenue-equivalent increase in the corporate income tax rate. The analysis, prepared by the EY Quantitative Economics and Statistics (QUEST) practice, found that a carbon tax is estimated to have significantly less of an adverse effect on gross domestic product (GDP) than the increase in the corporate income tax rate. Moreover, a carbon price can, over time, lead to an increase in high-wage jobs.

“Good climate policy *can* be good fiscal policy,” said AMS Executive Director Alex Flint. “Congress needs to pay more attention to evidence that a carbon tax is a better way for the government to raise revenue and has the additional benefit of addressing climate change. It’s time to turn down the partisan rhetoric and seriously focus on economics and science. Regardless of what else Congress crafts as a climate package in a reconciliation deal, a carbon tax will make the bill better.”

Key findings from the report include:

- Increasing taxes on capital income, such as a higher corporate tax rate, will hurt economic growth, wage growth, and employment.
- A \$12 per ton carbon tax raises the same amount of revenue as a corporate tax rate increase to 25% but causes less harm to the overall economy and is expected to boost aggregate labor income.
- A higher carbon tax (\$15 per ton) would allow lawmakers to offset the impact of a carbon tax on the bottom two quintiles of households while still raising the same amount of revenue. This policy is also economically superior to an increase in the corporate tax rate to 25%.
- Unlike a corporate tax rate hike, a carbon tax will significantly reduce CO₂ emissions.

The full report can be found on the AMS website [here](#).

The [Alliance for Market Solutions](#) (AMS) is an organization of conservative leaders addressing two of America’s most pressing challenges: the need to reduce carbon pollution and grow the economy. We respect climate change science and support replacing regulations with a revenue-neutral carbon tax—a policy that would efficiently protect the environment and deregulate and grow the economy.

AMS engages directly with influential conservatives, including policymakers, to cultivate support for a revenue-neutral carbon tax. We also conduct research on key aspects of carbon tax policies to provide policymakers insights into issues including the impact of a revenue-neutral carbon tax on economic growth, income, and innovation.