Cap-and-Trade's Regressive Tax

Contributed by Jillian Bandes (Townhall.com)
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A new study released by the Tax Foundation details just how regressive the proposed cap-and-trade legislation will be on American families, a plan the Obama administration hopes to implement by the end of the year. According to the Tax Foundation, the bottom 20% of income earners would pay 6.2% of their income towards the tax, while the top 20% of income earners will pay 1.4%.

Glenn Hurowitz, media director of Greenpeace, did not address the specific numbers in the report but claimed that the nature of the tax in the proposed cap-and-trade system would be precisely the opposite of what the Tax Foundation found: that poorer Americans would feel the least financial impact from cap-and-trade in comparison to other economic groups.

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“The basic flaw with their report is that they drastically overstate the costs to consumers… savings to consumers from efficiency and conservation are almost immediate,” said Hurowitz, pointing to a 2008 study on worldwide global warming that did not focus on regressive taxation like the Tax Foundation study did. “It's also important to consider the possibility of rebates to low-income consumers from auctioning off the permits to pollute.”

George Landrith, President of Frontiers for Freedom, said Greenpeace’s defense was a smokescreen.

“They can talk all they want about offsets and other benefits that they plan to give the poor to make up for this new additional heavy tax burden. There is a very real and immediate tax imposed on working families, and then there is a future promise of some theoretical benefit or handout that will somehow make it all better,” said Landrith. “Con men usually make the argument better than that.”

The Tax Foundation’s report claimed that on average, the cost of Obama’s cap-and-trade scheme will cost each household $1,218, with the heaviest burden on single-parent households and those living alone. Others who would be most affected include those under 25 and over 75 years of age and those in southern states, according to Matt Moon, manager of media relations at the Tax Foundation.

Unspecified energy savings, “green jobs,” and the health costs of global warming are usually cited as cost savings for climate change legislation, and Hurowitz pointed to these as reasons why the costs would be offset. Moon admitted that those factors were not taken into account in the Tax Foundation report.

But a number of other environmental organizations echoed Landrith in saying that such promises were vague and easily contradicted by alternative evidence. Zonia Pino, a Legislative Specialist with the Heartland Institute, said that “green” energies were unproven, and that even unproven benefits would be subject to significant lag time before they could even be realized.

Pino also mentioned failed cap-and-trade schemes in Europe as an example of why an American system is destined to fail. Corruption and cronyism led to money lost and no reduction in emissions.

“The private sector tends to get these things done better. The government in itself can’t force it,” she said.

Rep Pitts, (R-Penn), a member of the House Committee on Energy and Commerce, said it was obvious that cap-and-trade system would adversely affect those with low incomes.

“Everyone uses energy, but lower income people spend a higher percentage of their income on energy. These families would see prices rise on all of the products they purchase—anything that requires energy to be manufactured, grown, produced, or shipped—in short, everything,” he said.