FACT SHEET: AEA RADIO AD
"WAXMAN-MARKEY ENERGY TAX"

AUDIO: "Seems like all of us are working harder in this economy just to make ends meet.

But the politicians in Washington, DC don't seem to get it—voting to bailout Wall Street—rather than helping Main Street.

And just when you think that it can't get worse—some in Congress are now pushing an energy tax that would be the largest tax hike in history.

FACT: The largest previous tax increase was the Revenue Act of 1942—the tax plan crafted to raise money to win World War II. The Revenue Act of 1942 raised $110.5 billion (in 2009 dollars) in one year by increasing personal and corporate income tax, increasing "excess profits tax", and by reducing the personal exemption.[1]

The revenues created by cap and trade plans vary depending on how they are designed. President Obama, for example, called for a cap and trade plan that auctions 100 percent of carbon dioxide allowances. (http://www.whitehouse.gov/omb/assets/fy2010_new_era/A_New_Era_of_Responsibility2.pdf p. 21). According to Obama's staffers, cap and trade with 100 percent auction would actually generate between roughly $1.3 trillion and $1.9 trillion between fiscal years 2012 and 2019. (http://online.wsj.com/article/SB123733423766063691.html). Using the low-end figure of $1.3 trillion, that's $162 billion in revenue per year from 2012 through 2019—far more than the $110.5 billion raised by the Revenue Act of 1942 in a year.

So far, the Waxman-Markey bill does not explain how it will sell the carbon dioxide allowances. Some people, like the President are pushing for an auction of 100 percent of the allowances. Rep. Markey, one of the co-sponsors of this year's bill, introduced a bill last year that would start with 94 percent auction in 2012 increasing to 100 percent auction in 2020. (HR 6168 110th Congress—http://frwebgate.access.gpo.gov/cgi-bin/getdoc.cgi?dbname=110_cong_bills&docid=f:h6186ih.txt.pdf)

AUDIO: "Studies show that the bill, known as the Waxman-Markey Energy Tax, could cost our family's more than $3,100 per year in new taxes."

FACT: A study from the MIT Joint Program on Science and Policy of Global Change, analyzing a cap and trade plan requiring emissions cut similar to the Waxman-Markey bill found that it would generate $366 billion per year in 2015. (http://web.mit.edu/globalchange/www/MITJPSPGC_Rpt146.pdf) Dividing $366 billion by 117 million households in the United States yields a cost per household of $3,218 per household.[2]

FACT: Last year, the American Council for Capital Formation (ACCF) and National Association of Manufacturers (NAM) worked with the Science Applications International Corporation to estimate the costs of S. 2191 from last Congress. S. 2191 called for less emissions reductions, and was therefore less costly, than the Waxman-Markey bill. S. 2191 called for emissions reductions of 63 percent below 2005 levels by 2050, while Waxman-Markey calls for an 83 percent reduction in greenhouse gases. Despite economic impacts smaller than those envisioned by the Waxman-Markey bill, the ACCF-NAM study found that S. 2191 would cause a loss of 3 to 4 million jobs and a $4,022 to $6,752 loss in disposable income per household by 2030. (http://www.accf.org/pdf/NAM/fullstudy031208.pdf)

AUDIO: "And that's not all—this tax will further cripple our already struggling economy—costing more American jobs.

Higher taxes and more job losses—what could Congress be thinking?"

FACT: 5.1 million jobs have been lost since the recession began. (http://www.marketwatch.com/news/story/job-losses-breach-5-million/story.aspx?guid={CF54164C-6F7B-4501-B6FB-D7D1C8D710B9}&dist=msr_1)

FACT: According to Congressional testimony provided by the Industrial Energy Consumers of America in 2007, "On average, since 2000, the US price of natural gas has been the highest in the world and has significantly contributed to the loss of 3.1 million manufacturing jobs. That is 18% of all manufacturing jobs despite four years of robust US economic growth. In the same time period net imports of energy intensive products like chemicals, steel, plastics, fertilizer and aluminum has increased over 108 percent. The high price of US natural gas and the increasing price of electricity versus other parts of the world is a deterrent to maintaining and building new grass root plants in the US." (http://www.ieca-us.com/documents/IECAHouseTestimony-NaturalGas_12.06.07.pdf)

FACT: Because cap and trade program create a drag on the economy by increasing the price energy, they cause job losses. As noted above, the ACCF study found that S. 2191 would cause a loss of 3 to 4 million jobs and a $4,022 to $6,752 loss in disposable income per household by 2030 (http://www.accf.org/pdf/NAM/fullstudy031208.pdf). Because the Waxman-Markey bill calls for even greater emissions reductions than did S.2191, we can expect job losses to be greater than those estimated for S.2191.

FACT: S. 2191 would have resulted in $1.7 trillion to $4.8 trillion in losses to gross domestic product (GDP) by 2030, and annual job losses ranging from 500,000 to 1,000,000, according to estimates calculated by the Heritage Foundation using Global Insight's U.S. Macro Model (http://www.heritage.org/Research/EnergyandEnvironment/wm1930.cfm).

AUDIO: "Call Congresswoman Betty Sutton at 330-865-8450, tell him that we can't afford the Waxman-Markey Energy Tax."

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[1] Jerry Tempalski, *Revenue Effects of Major Tax Bills, Department of the Treasury*, Office of Tax Analysis, OTA Working Paper 81 (Sept. 2006) http://www.ustreas.gov/offices/tax-policy/library/ota81.pdf. The Revenue Act of 1942 raised $73.4 billion in 1992 dollars. In 2009 dollars, that is $110.5 billion (brought forward to 2009 dollars using the CPI calculator).

[2] Some have criticized this estimate arguing that the "cost" of the program is not $3,128 per family, but rather an amount less than that. These critics, however, are conflating the "cost" of a program and the amount of tax per family. The $3,128 is the average amount of taxes per family. This is not the same as the cost per family. As one of the MIT study's authors told *The Weekly Standard,* besides tax increases, "cost[s] to the economy involves all those actions people have to take to reduce their use of fossil fuels or find ways to use them without releasing [Green House Gases]," Reilly wrote. "So that might involve spending money on insulating your home, or buying a more expensive hybrid vehicle to drive, or electric utilities substituting gas (or wind, nuclear, or solar) instead of coal in power generation, or industry investing in more efficient motors or production processes, etc. with all of these things ending up reflected in the costs of good [sic] and services in the economy." (http://www.weeklystandard.com/Content/Public/Articles/000/000/016/412cwueq.asp?pg=2) He concluded, "the cost would then be the Republican estimate [$3,128] *plus* the cost I estimate [$800]."