



June 8, 2016

Dear Member of Congress,

We are writing in opposition to H.Con.Res.89 introduced by Rep. Steve Scalise (R-LA) expressing the sense of Congress that a carbon tax would be detrimental to the United States economy. We believe that all options should be available to policymakers to craft a better tax code with fewer tax expenditures and lower rates. Furthermore, there are compelling economic, fiscal, and tax policy considerations that support implementing a carbon tax, without regard to the environmental goals commonly associated with a policy of pricing carbon emissions.

H.Con.Res.89 mischaracterizes the effects of a potential tax on carbon. A tax on carbon is a form of a consumption tax. Consumption taxes are frequently suggested either as a replacement for one or more existing taxes, or as sources of additional revenue for deficit reduction. A well-constructed, broad-based consumption tax better rewards savings and investment than a comparably-sized income tax. It would exert less influence on economic decision making than our current income tax, and it would better align U.S. tax policy with the tax policies of our major trading partners and international competitors.

Most of the consumption tax debate and analysis to date has addressed a Valued-Added Tax (VAT), a savings exempt income tax, or a national sales tax. An upstream carbon tax is an additional broad-based consumption tax option. An upstream carbon tax could allow Congress to repeal a number of excise taxes since the carbon tax would be taxing essentially the same goods.

Many members of Congress from both parties have expressed their desire to reform the federal tax code in order to lower rates and broaden the base. Most other countries, faced with their own challenges, have added a consumption tax to the mix of taxes they impose. An upstream carbon tax is superior to a VAT or other consumption taxes for a variety of reasons. The number of firms required to file tax returns for an upstream tax would be limited and would not require a significant expansion of the Internal Revenue Service, unlike a VAT.

Our current budgetary path is unsustainable. Federal debt is growing faster than the economy, and it will exceed 100 percent of GDP by 2040. Congress faces tough choices as it confronts deficits and the debt, the desire for tax reform, entitlement reform and the difficulty of making further deep cuts in discretionary spending. Creating a modern income tax system while maintaining current levels of revenue will be politically difficult. And as a consequence, serious reductions in the debt may continue to elude Congress.

Congress faces daunting budgetary challenges ahead, and it needs to look for tools it can use to meet these challenges. Foreclosing potential policy options to reform the federal tax code is fiscally irresponsible.

Sincerely,

Ryan Alexander
President