Written by Brian Koenig on November 2, 2012

Study Bankrolled by U.S. Treasury to Tie Taxes to Carbon Emissions

A lengthy and far-reaching study being bankrolled by the U.S. Department of Treasury will deliver environmentalists and other liberal groups ammunition for their rigorous campaign to curb so-called "global warming," possibly including a new carbon levy weaved into the U.S. tax code. In short, it's an analysis determined to advocate a "green" tax code for American businesses and individual taxpayers.

The $1.5 million study, "Effects of Provisions in the Internal Revenue Code on Greenhouse Gas Emissions," is being administered under the guidance of the National Academy of Science (NAS). Originally projected to take two years, the project targets mechanisms of the U.S. tax code in terms of its impact of its most critical provisions on carbon emissions and other greenhouse gases — a massive and complex campaign in environmental and economic modeling. In the course of the project,

> The committee will first determine the most appropriate analytical framework and methodology to use in examining the effects of the tax code on greenhouse gas emissions. It will consider both provisions that may increase emission rates as well as those having the effect of lowering them over specific periods, and both direct (e.g., fuel-related provisions) and indirect measures (e.g., the home mortgage deduction and the investment tax credit). Studying the tax code's impact on GHG emissions the panel will necessarily focus heavily on energy, both the life cycles of different energy sources and their uses in different sectors such as electricity generation, transportation, industrial processes, and consumer uses (including in households). The study may extend to areas beyond energy, such as agriculture, forestry, urban development, and other land uses which can have significant effects on GHG emissions.

The project, allegedly, will not advocate specific new taxes or incentives, nor changes in current provisions of the tax code, but will "outline principles and criteria for formulating climate-sensitive tax policy in the future," according to the NAS website. Originally slated to publish in September, its official release has been delayed until the first quarter of 2013.

The NAS study completely ignores the job creation or economic aspects of the tax code, but instead questions the levels of greenhouse gases that are being released by its provisions. These provisions involve not only deductions and incentives for production of various kinds of energy, but also provisions such as the investment tax credit and the home mortgage deduction — which have an effect on business activity as well as impacting agriculture, urban development, and all aspects of industrial processes.

While the study asserts that it will not advocate for any specific taxes in existing provisions of the tax code, it "may evaluate the efficiency and effectiveness of different tax measures in reducing GHG emissions relative to other policy instruments." In short, the project may, according to Fox News, "provide the means to 'comparison shop' tax levels and tax incentives for a wide variety of economic and social activities on the basis of their alleged impact on global warming."

Until the study is officially published, experts will be unable to examine its explicit research efforts, which allegedly comprise four consultants' reports sponsored by the National Academy's committee appointed to manage the study. One of the four reports was produced by a consulting firm managed by Dale Jorgenson, an acclaimed economics professor at Harvard University, and former chairman of the NAS board that was appointed to launch the eco-tax campaign.

Among other research efforts displayed on Jorgenson's Harvard University website, is a recent testimony before the Senate Committee on Finance titled "Tax Reform: the Impact on U.S. Energy Policy," in which the economist details a reformed system of energy taxes on oil, coal, and natural gas that could "clean up the environment and slow global warming." According to Jorgenson, these new revenue sources could also "close the budget gap and reduce tax rates as part of comprehensive tax reform."

While NAS experts attempt to downplay the political advocacies of its analysis, some critics argue that its explicit intent is to institute a burdensome carbon tax on businesses and individual taxpayers. Ken Green, an environmental analyst at the American Enterprise Institute, says the entire study looks "like another effort aimed at paving the way for weaving carbon taxes into tax reform." Mr. Green contends that such taxes are not only unproductive, but curb economic growth and are actually regressive, as they hurt lower-income earners more than higher-income earners.

According to Rep. James Sensenbrenner (R-Wis.), a former member of the House Select Committee on Energy Independence and Global Warming, the NAS study is "a waste of money," whose conclusions, whenever they are released, should be disputed. "They are simply trying to bypass the people's representatives and use technocrats to achieve their agenda."

The eco-tax campaign is bound to escalate in the aftermath of next week's presidential election, as the nation confronts a skyrocketing deficit and a complicated tax code that is ripe for reform. Environmental activists and Democratic lawmakers are likely to pose a myriad of innovative, environmental components, with carbon taxes and major shifts in tax rates as part of this evolutionary phase. Those involved in the eco-tax project are looking to use the impending study as a weapon to advance this cause.

Some critics predict that another four years of Obama would allow the president to let loose on controversial policies that are more polarizing, as he will no longer have to worry about certain political ramifications. A struggling economy, with persistently high unemployment, has placed policies relating to climate change on the back burner. However, if Obama was to secure a second term, critics note, contentious issues like carbon taxes and other potentially unpopular "green" policies may come full force.

As the president told outgoing Russian President Dmitry Medvedev in May, referring to missile defense, "This is my last election … After my election I have more flexibility."