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July 26, 2013

The Honorable Max Baucus
Chairman
Committee on Finance
United States Senate
219 Dirksen Senate Office Building
Washington, DC 20510-6200

The Honorable Orrin G. Hatch
Ranking Member
Committee on Finance
United States Senate
219 Dirksen Senate Office Building
Washington, DC 201510-6200

Dear Chairman Baucus and Ranking Member Hatch:

I write this letter in response to your request for input on comprehensive tax reform legislation.

Given the fact that my suggestions represent the interests of the middle class of this country and not powerful corporate special interests, I have no problem with making them public.

Global warming is the most serious environmental crisis facing the planet. It threatens low-lying communities across the globe with rising sea levels and devastating storm surges. It threatens our fisheries and our farmland. It is already imposing enormous economic costs on our country and others around the world. Addressing this crisis will require dramatically reducing our consumption of fossil fuels while simultaneously promoting the maturation of the clean energy sector. Doing so will be good for America's global technological leadership, for our long-term economic vitality, and for the health of the planet.

The Federal tax code has an important role to play in America's energy future. Through smart energy tax policy reforms, we can ensure America's long-term clean energy prosperity, make significant strides toward energy independence, and mitigate national security risks. I support the goal of creating a simpler tax code while ensuring dramatically reduced greenhouse gas emissions and international leadership in sustainable energy. I offer these three tax reform recommendations:

- **Level The Playing Field Through a Carbon Tax**
  For more than a century America's energy economy has been dominated by fossil fuels that receive substantial government tax subsidies while externalizing the considerable environmental and public health costs on to the American public in the form of asthma-

inducing air pollution, ecologically devastating mining and drilling, and climate-warming greenhouse gas emissions. A carbon tax will end the freeloading, internalize the costs of the environmental side-effects of burning fossil fuels, and establish a more equal playing field for all energy technologies. For this reason, the principle of a carbon tax has gained growing support among both progressives and conservatives.

Earlier this year, Senator Boxer and I introduced the Climate Protection Act (S.332). The bill applies an upstream carbon fee (at the coal mine, the oil refinery, the natural gas processing plant, or the port of importation) on the 2,869 largest fossil fuel polluters, which together are responsible for about 85% of America's greenhouse gas emissions.[1] Some of the revenues raised from the carbon fee would be returned to the American public in the form of a rebate modeled after Alaska's oil dividend. A portion of funds would also be used to invest in energy efficiency, sustainable energy, improving domestic manufacturing efficiency, and training workers for the green energy economy. To ensure all countries play by the same rules, imported fuels and goods would be subject to equivalent carbon fees, known as a "border tariff," and would serve to spur exporting nations to enact their own climate policies. A third portion of the revenue would be used for deficit reduction.

A carbon tax would help prevent the fossil fuel industry from concealing its actual costs by shifting the costs of carbon dumping onto the American public. Consequently, it would help provide a level playing field between energy technologies while creating a substantial number of new jobs here in the United States. I look forward to working with the committee to adopt a carbon tax that puts America on the path to a low-carbon energy economy, reduces carbon emissions, creates good American jobs, and protects workers and families.

- **Provide Predictability for Emerging Clean Energy Technologies**
  The emerging energy technologies of today will form the foundation for innovation and development of next generation clean energy production, energy efficiency materials, and clean vehicle technologies. Fossil fuels have received substantial permanent federal tax subsidies, totaling $193.4 billion from 1968-2010.[2] By comparison, the renewable energy sector has received just $24.6 billion through 2010.[2] Further, while fossil fuel tax incentives were written permanently into the federal tax code, incentives for renewable energy have been much less predictable; stunting investment in and expansion of clean energy projects that often take five or more years to plan.

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[1] Jonathan L. Ramseur, Jane A. Leggett and Molly F. Sherlock. "Carbon Tax: Deficit Reduction and Other Considerations." 17 September 2012. CRS Report R42731.
[2] Molly F. Sherlock. "Energy Tax Policy: Historical Perspectives on and Current Status of Energy Tax Expenditures." 2 May 2011. CRS Report R41227.

To realize our vision of a clean energy future, and to secure a strong foothold for our emerging clean energy sector in an economy long-dominated by federally subsidized fossil fuels, we must provide predictable federal incentives for clean energy as the industry matures. Title II of the Sustainable Energy Act (S.329) extends existing clean energy tax incentives through 2020, providing a stable tax environment as these industries mature. Providing finite but meaningful federal support for emerging, clean energy technologies, including maintaining the federal tax exemption on municipal bond interest, is a smart investment, both for America's energy economy and for quality domestic job growth.

- **End Polluter Welfare**
  The oil, gas and coal industries have benefitted from federal tax subsidies for nearly 100 years.[2] The fossil fuel industry is extremely mature and enjoys multi-billion dollar annual profits. In fact, the five largest oil companies reported nearly $120 billion in profits in 2012 and over the last decade they made over a trillion dollars in profits.[3,4] Congress should stop giving away taxpayer money to an industry that is so highly profitable while simultaneously being responsible for the very greenhouse gas emissions that are causing our global warming crisis.

  In February of this year, I introduced S.329, the Sustainable Energy Act. Title I of the Sustainable Energy Act amends the Internal Revenue Code of 1986 to limit or repeal tax incentives for investment in fossil fuels, saving taxpayers more than $110 billion dollars over the next decade. I urge the committee to consider this language as step one of energy tax reform. Repealing fossil fuel tax subsidies serves the goals of simplifying the Federal tax code, reducing the deficit, and enabling our energy sector to transition away from the technologies of the last century and toward those of the next century.

In revising the federal tax code, the Senate has a unique opportunity to shape domestic energy policy, curb greenhouse gas emissions, and position America as leaders of clean energy technology and job creation.

Sincerely,

Bernard Sanders
United States Senator

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[3] Daniel J. Weiss and Jackie Weidman. "Speed Trap: Big Oil Profits from High Gasoline Prices." Center for American Progress. 6 February 2013.
[4] "Big Oil, Big Profits: Industry Tops $120 Billion in 2012." Taxpayers for Common Sense. 5 February 2013.