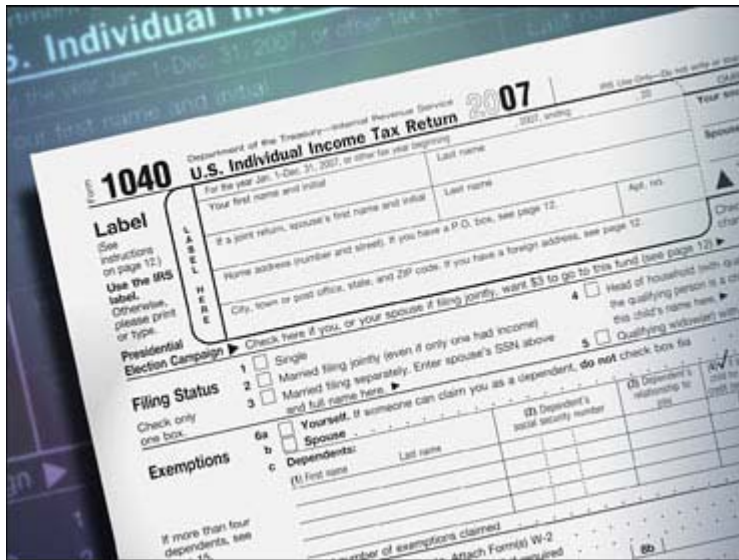


Obama Admin: Cap And Trade Could Cost Families \$1,761 A Year

Posted by Declan McCullagh



(AP)

The Obama administration has privately concluded that a cap and trade law would cost American taxpayers up to \$200 billion a year, the equivalent of hiking personal income taxes by about 15 percent.

A previously unreleased analysis prepared by the U.S. Department of Treasury says the total in new taxes would be between \$100 billion to \$200 billion a year. At the upper end of the administration's estimate, the cost per American

household would be an extra \$1,761 a year.

A second memorandum, which was prepared for Obama's transition team after the November election, says this about climate change policies: "Economic costs will likely be on the order of 1 percent of GDP, making them equal in scale to all existing environmental regulation."

The documents ([PDF](#)) were obtained under the Freedom of Information Act by the free-market [Competitive Enterprise Institute](#) and released on Tuesday.

These disclosures will probably not aid the political prospects of the Democrats' cap and trade bill. The House of Representatives [approved it](#) by a remarkably narrow margin in June -- the bill would have failed if only six House members had switched their votes to "no" -- and it faces significant opposition in the Senate.

One reason the bill faces an uncertain future is concern about its cost. House Republican Leader John Boehner has [estimated](#) the additional tax bill would be at \$366 billion a year, or \$3,100 a year per family. Democrats have pointed to estimates from MIT's [John Reilly](#), who [put the cost](#) at \$800 a year per family, and noted that tax credits to low income households could offset part of the bite. The

Heritage Foundation [says](#) that, by 2035, "the typical family of four will see its direct energy costs rise by over \$1,500 per year."

One difference is that while Heritage's numbers are talking about 26 years in the future, the Treasury Department's figures don't have a time limit.

"Heritage is saying publicly what the administration is saying to itself privately," says [Christopher Horner](#), a senior fellow at the Competitive Enterprise Institute who filed the FOIA request. "It's nice to see they're not spinning each other behind closed doors."

"They're not telling you the cost -- they're not telling you the benefit," says Horner, who wrote the [Politically Incorrect Guide to Global Warming](#). "If they don't tell you the cost, and they don't tell you the benefit, what are they telling you? They're just talking about global salvation."

The FOIA'd document written by Judson Jaffe, who [joined](#) the Treasury Department's Office of Environment and Energy in January 2009, says: "Given the administration's proposal to auction all emission allowances, a cap-and-trade program could generate federal receipts on the order of \$100 to \$200 billion annually." (Obviously, any final cap-and-trade system may be different from what Obama had proposed, and could yield higher or lower taxes.)

Because personal income tax revenues [bring in](#) around \$1.37 trillion a year, a \$200 billion additional tax would be the equivalent of a 15 percent increase a year. A \$100 billion additional tax would represent a 7 or 8 percent increase a year.

One odd point: The document written by Jaffee includes this line: "It will raise energy prices and impose annual costs on the order of XX." The Treasury Department redacted the rest of the sentence with a thick black line.

The Freedom of Information Act, of course, contains no this-might-embarrass-the-president [exemption](#) (nor, for that matter, should federal agencies be in the business of possibly [suppressing dissenting climate change voices](#)). You'd hope the presidential administration that [boasts of being](#) the "most open and transparent in history" would be more forthcoming than this.

Update 9/16/2009: The Environmental Defense Fund has responded to the documents' release with a statement saying, in part:

Update 9/17/2009: I've written a [followup article](#) to respond to erroneous claims from the Center for American Progress.

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