

Modernizing America with Rebuilding to Kick-start the Economy of the Twenty-first Century with a Historic Infrastructure-Centered Expansion Act (MARKET CHOICE Act)

Carbon tax swap for Federal gas tax: Would amend tax code to add tax equal to \$24/ metric ton of CO2 (MMT) + annual increase of 2% + CPI. Would eliminate the federal gas tax.

Price Adjustment: Emissions levels from taxed sources, including cumulative levels, to be reported every year; every 2 years, an automatic \$2 per ton increase will occur if emissions reductions are behind goals.

Point of taxation:

- Coal mine mouth
- Refinery output
- Gas processing plant
- Owner/operator of certain industrial facilities. Initial list of 19 sectors--including steel, cement, aluminum, glass, semiconductors....can be modified by EPA. Sets threshold of 25,000mtc/year per facility or 250,000 MMT per sector.
- Owner/operator of facility that makes or imports certain products. List includes ethanol, biodiesel, industrial carbonates, urea, soda ash, NOx, ozone-depleting substances. Can be modified by EPA. Sets threshold of 250,000mtc per product.
- Owner/operator of facility that burns or imports biomass. Rate of CO2 equivalent to be set by EPA

Emission Reduction Goals

Based on modeling of the \$24/MMT + annual increase of 2% above inflation, emissions from combusted fossil fuels, relative to 2005 levels, are estimated to be:

- 2020: 24% reduction
- 2025: 27% reduction
- 2030: 29% reduction
- 2032: 30% reduction

CCS Exemption: Refund for CCS and non-emissive uses of taxed fuels.

Credit for state payments: In states that require payment on emissions, would allow owner/operators a declining credit. Starts at 100% credit in year 1, 80% year 2...down to 0% by year 5.

Border Tax Adjustment: Would impose “border tax adjustment” on imported goods in amount equal to increased costs paid by comparable US products. Exporters would receive a rebate equal to the tax.

Revenue Uses: Bulk of the revenue (70%) to go to Highway Trust Fund. Additional 10% would go to states in the form of grants for low income households and 5% would be directed to chronic coastal flooding mitigation and adaptation projects. Funding will also go to various R&D efforts (ARPAe, CCS, battery storage, direct air capture) and for a fund to provide assistance to any energy workers that may be displaced.

Existing Regulations: Would establish a rolling, performance-based moratorium on finalizing and enforcing Clean Air Act regulations on greenhouse gas emissions (except certain methane emissions) from stationary sources covered by the tax. Moratorium starts upon enactment. In 2025, if emissions goals are met, the moratorium continues for another 4 years. In 2029, if emissions goals are met, the moratorium continues and terminates in 2033.

National Climate Commission: Would create National Climate Commission to prepare a report to Congress in 2026 and every 6 years thereafter with analysis of existing policies and recommendations for reducing emissions. Sets goals for emissions reduction that “reflect the latest scientific findings of what is needed to avoid serious human health and environmental consequences of a changing climate.” Membership of Commission would include 10 appointees, including appointees of President as well as majority and minority leaders in House and Senate. Members serve for 6 years.