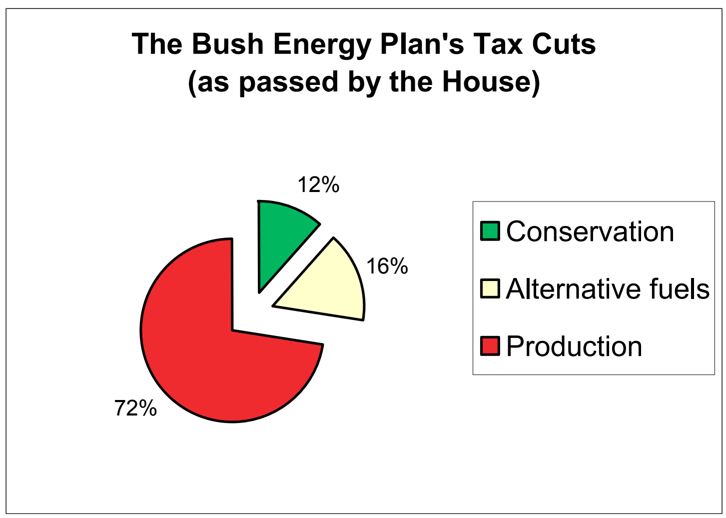
Bush Energy Bill Passed by House Showers Tax Breaks on Energy Industry

Just before the August recess, the House passed its version of the Bush energy bill, largely along partisan lines. The plan is centered on $33.5 billion in energy-related tax reductions over the next ten years. The bill's backers disingenuously insist the bill is well-balanced, with 37 percent of the new tax breaks allegedly going to encourage "conservation," 39 percent to help ensure energy "reliability," and a mere 24 percent for "production" incentives.

To calculate those figures, however, the bill's sponsors weirdly characterize "investment and production credits for clean coal technology," i.e. subsidies for using the most common modern methods of burning coal, as "conservation" measures. And they use the opaque term "reliability" to cover up what actually are more tax breaks for energy producers.

In fact, almost three quarters (72 percent) of the Bush energy bill's tax incentives go to increased production, while a dismal 12 percent is left to promote conservation.

► For starters, almost half of the tax breaks — $16.2 billion — go to oil, gas and coal companies. A study released last fall by the Institute on Taxation and Economic Policy found that the oil and gas sector is the nation's lowest-taxed industry, paying an effective income tax rate of only 5.7 percent in 1998. Exactly how low a tax rate do President Bush and the House think those companies should pay?



► Another quarter of the tax breaks, some $8 billion, will be funneled to utilities. Oddly enough, most of these tax breaks are designed to make it cheaper for utilities to sell or close down their power plants.

► That leaves only 28 percent, or $9.2 billion, of the proposed tax cuts that can even arguably be considered helpful to conservation and alternative fuels (C&A) — and many of these items are pretty dubious, too:

Companies that generate electricity from wind, garbage and chicken excrement would get $2.4 billion, extending subsidies that date back to the Carter administration (don't these "infant" technologies ever grow up?).

Another $2.4 billion would go to purchasers of electric or hybrid cars and trucks. Environmentalists, whose bid for higher mileage standards for SUVs was rejected, have decried these new tax breaks as largely targeted to gas-guzzling vehicles such as DaimlerChrysler's upcoming Dodge Durango "hybrid" SUV, scheduled to hit showrooms in 2003 with an estimated 18.6 mpg.

Completing the C&A list are: $2.2 billion to reward some popular energy-efficient building techniques; $1 billion for railroads and commercial river freight; $0.3 billion to Maytag, General Electric, Whirlpool and Frigidaire for speeding up compliance with an already-mandated requirement for less energy-hungry refrigerators and washing machines; $0.3 billion for facilities that produce heat and power at the same time; and $0.6 billion for installing still-sadly-uneconomic solar energy panels.

The bottom line is that almost three-quarters of the total tax cuts in the House energy bill are giveaways to oil, gas, coal and utility companies. That's triple what the measure's sponsors claim would go to "production." The rest of the plan — generally enriching well-connected businesses for doing what they'd do anyway — isn't much to write home about either.

House Democratic leaders correctly condemned the Republican energy bill as environmentally unsound, excessively complicated and unaffordable in light of the huge Bush tax cuts passed earlier this year. But disappointingly, the Democrats then allowed that they'd accept all the special-interest boondoggles so long as they were paid for by raising taxes on somebody else.

The best news would be if the Senate simply drops this ugly bill when it takes it up in September.