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RESPONSE TO CRITICISMS OF BTU TAX
May 26, 1993

Background: Yesterday, the American Energy Alliance, a coalition of business groups announced a "full-court" lobbying press in the House of Representatives against the BTU tax. Today, House Republican Leader Michel and others are scheduled to hold a press conference in opposition of the BTU tax.

A CHOICE BETWEEN ENDING GRIDLOCK OR MORE OF THE SAME

* Once again, we have special interests circling the wagons in Washington, attacking a critical piece of the President's plan for deficit reduction and not having the courage to come up with specific alternatives of their own.

* It's easy to criticize painful choices and ignore the reality of twelve years of runaway federal deficits. President Clinton has had the courage to "step up to the plate" with a specific, fair economic plan that will achieve $500 billion in deficit reduction through $255 billion in spending cuts and $241 billion in tax increases that rely overwhelmingly on those who can most afford to pay.

* AEA and many Republicans won't specify what tough choices they would make to reduce the deficit. They simply say they are "broadly supportive" of alternatives like the Boren/Danforth plan, which would cut Social Security benefits for 27 million middle class Americans, dramatically cut benefits to 14 million working families, and make severe cuts in Medicare and Medicaid -- all to avoid a moderate, broad-based BTU tax and to cut taxes for the most well off Americans.

* And opponents are using the worst kind of scare tactics and distortions to fight the BTU tax. Here is the truth about the tax:

THE BTU TAX WILL HAVE A MINIMAL IMPACT ON JOBS

* The AEA claims that the BTU tax will eliminate 400,000 to 600,000 jobs. But they are choosing to ignore the beneficial effects of the entire economic plan in bringing down deficits.

* The President's economic package has already had the effect of lowering longterm interest rates by more than the amount that would be needed to offset the effect of the BTU tax. While the interest rate on the 30-year treasury bond was 7.76% on November 6, 1992 it was 7.01% yesterday.

* An independent economic forecasting firm, Data Resources Inc., found that it would not take much to offset the effect of the BTU. For example, it found that if interest rates fell by as little as .35% in 1997, when the tax is fully phased in, the BTU would have no effect on GDP or jobs for that year. [Data Resources Inc. analyses conducted for EPA]

* The misleading cries about job losses is particularly ironic when you consider the cost of staying with the status quo. Since July of 1990 we've just barely recovered the jobs we lost during the recession and we have not increased the overall number of jobs --despite adding 5 million more adults to the population. We've had no additional jobs in three years and unemployment at 7% or higher for the last 17 months.

* President Clinton's plan for deficit reduction is necessary to bring down interest rates and free up new money for longterm investments. His plan will create almost 8 million jobs by 1996. We can choose this path or we can choose gridlock and the status quo.

THE BTU TAX WILL HAVE A MODEST IMPACT ON FARMERS

* The Ways and Means Committee amended the President's BTU tax proposal to allow motor fuels used on farms to be taxed at lower rates in 1994 and 1995. Full rates for such fuels would not apply until 1996.

* Many average family farmers will actually come out ahead under the Clinton Plan. Although the BTU tax will impose some costs, those costs are more than offset by other benefits of the President's economic plan for farmers -- like increased expensing, extension of small issue agricultural bonds, expansion of the EITC and extension of the health insurance deduction.

* For example, a Kansas farm family making $18,700 a year would **gain** an average of $792 a year under the Clinton Plan. A Wisconsin family farmer making $21,000 a year would **gain** an average of $433 a year. [Treasury Department Analyses]

THE BTU TAX IS FAIR AND WILL HAVE A MODEST IMPACT ON MIDDLE INCOME FAMILIES

* 75% of the tax increases proposed by the Clinton Administration fall on the top 6% of Americans according to the CBO. The BTU tax is the only tax proposed by the Clinton Administration that affects the middle class. But it is modest and phased in and does not affect families making less than $30,000.

* Because of offsetting increases in energy assistance and the Earned Income Tax Credit, on the whole, working families with incomes under $30,000 will be held harmless.

* The effect of the BTU tax on other families is modest. The energy tax does not even go into effect until the summer of 1994, and then it is phased in over three years. It would cost the average family making $40,000 yearly only $1 a month in 1994, $7 a month in 1995, and $17 a month in 1997.

LOUISIANA WILL BENEFIT UNDER THE ECONOMIC PLAN

* Several critics have asserted that the BTU tax would reduce the prosperity of energy-intensive Lousiana. But again, opponents are relying on studies that do not take account of the beneficial effects of the entire Clinton Plan.

* The Treasury Department estimates that Louisiana will experience a **net gain** of $528 million in 1997 under the entire Clinton Economic Plan. The costs of the BTU tax to Louisiana in 1997, when it is fully phased in, are more than offset by other benefits, like stronger economic growth due to declines in longterm interest rates, an expanded EITC, and increased investments for life-long learning programs and other business investment incentives.

BUSINESSES AND ENVIRONMENTAL GROUPS SUPPORT THE BTU TAX AND ECONOMIC PLAN

* Scores of businesses support President Clinton's economic plan, including his tax proposals, because they recognize that real deficit reduction is necessary and that it is

good for economic growth.

* Many CEO's, including Bob Eaton of Chrysler, Steve Wolf of United Airlines, August Busch of Anheuser-Busch and Bob Denham of Salomon Brothers, support the President's Economic Plan.

* Just this week 50 of the top corporations in the country wrote Rep. Rostenkowski commending the tax provisions in the reconciliation bill that reported out of the House Ways and Means committee, including the BTU tax. These corporations said, "We expect better economic results and better employment prospects to follow from the reported bill. We support the tax bill as restructured and reported by the Committee." These business supporters include:

--Avon Products
--Colgate-Palmolive
--Delta Airlines
--Dow Corning
--The GAP
--General Electric
--General Motors
--Honeywell Inc.
--IBM
--3M
--Marriott Corporation
--Philip Morris
--Proctor and Gamble
--Sara Lee Corporation
--Southwest Airlines
--Time Warner
--The Walt Disney Company
--Westinghouse Electric

* Just yesterday, 90 industry, community, labor, environmental, and education groups representing millions of Americans wrote members of Congress to tell them that they support the President's economic plan as reflected in the Budget Reconciliation.

* Numerous environmental groups have come out in support of the Economic Plan, including the Natural Resources Defense Council, Friends of the Earth, the League of Conservation Voters, the National Audubon Society and the National Wildlife Federation.