



SBLC WEEKLY

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DID YOU MISS US?

Congress returns from a two week break. The big pending item on the agenda is the budget resolution. Both chambers have passed versions of the resolution. They must decide on a final version. The \$64,000 question is whether it will provide reconciliation instructions which would allow comprehensive health care reform legislation to be brought to the Senate floor with anti-filibuster protection.

The more immediate question is what will the budget resolution provide in the way of potential estate tax relief? We are going with the optimistic hope that it will at least provide room in the budget for a \$3.5 million individual exemption and a 45 percent rate. Even if it does allow for that, it will not be "protected" by a reconciliation instruction and therefore any later measure that provides such relief would be subject to a filibuster. In addition, the relief will most likely have to be offset with revenue increases elsewhere.

CAP AND TRADE

The House Energy and Commerce Committee will attempt to be the first committee to approve a bill to reduce emissions of greenhouse gasses. Hearings will be held this week (at least 70 witnesses!) and the goal is to mark up the bill before Memorial Day.

Committee Chairman Henry Waxman (D-CA) and Representative Ed Markey (D-MA) have released a draft bill. The American Clean Energy and Security Act is only 648 pages long.

The approach of the bill is to set total emission limits (the cap) for the gasses.

Companies would then buy permits from the government (the permits will be "auctioned" to establish the fee) for some of the capacity under the cap (generally referred to as an allowance). Under their bill, the purchasers of the capacity allowance would be permitted to sell these permits. In effect, there would be a market for them and permit holders and others would be "trading" them. And that's how we get the term "cap and trade."

The government would derive revenue from issuing the allowances. President Obama in his Fiscal Year 2010 budget request recommended that the revenues be used to "fund vital investments in a clean energy future totaling \$150 billion over 10 years, starting in Fiscal Year 2012. The balance of the auction revenues will be returned to the people, especially vulnerable families, communities, and businesses to help the transition to a clean energy economy." Except for some funds held to ease the rough spots in the allowance auction process, the Waxman/Markey bill is silent on the subject.

Allowances are required for emissions of the specified covered gases (the bill converts the emissions into Carbon Dioxide (CO₂) equivalents so the reference to CO₂ is what you will probably read or hear about) ***exceeding 25,000 tons a year***. As a result, most small businesses will not need to have an allowance. But the Environmental Protection Agency estimates 13,000 facilities do emit at least that much, so some smaller manufacturers will be required to secure a permit. The indirect costs, particularly energy costs, are the primary concern for small businesses. The question of what is done with the

revenue is also a concern for small business.

The goal of the legislation is to reduce the number of available allowances issued each year to ensure that aggregate emissions from the covered entities are reduced by 3% below 2005 levels in 2012, 20% below 2005 levels in 2020, 42% below 2005 levels in 2030, and 83% below 2005 levels in 2050.

You probably will hear about the term "Banking and Borrowing" and it has nothing to do with bailouts. The bill permits unlimited banking of allowances for use during future compliance years. The draft also establishes a rolling two-year compliance period, effectively allowing covered companies to borrow from one year ahead. Allowances from two to five years in the future can be borrowed under limited circumstances.

Finally, we should note that other committees have different approaches. The most notable difference is that some would rather impose a specific tax on excess emissions or tax it at another point in the process, such as a "carbon tax" which applies to fossil fuel supplies.

And that is why there is an SBLC - so you do not have to read a 600 page bill on the week-end©

TAX DAY

On April 15th, President Obama held an event with about half dozen citizens regarding tax reform. SBLC was represented by Alan Givens, a business owner member of SBLC member, Plumbing Heating and Cooling Contractors- National Association.