Tax subsidies finance construction and hard energy path

Abstract

US taxpayers pay at least $27 billion a year to cover tax benefits for energy development, most of which is non-renewable energy sources and poses environmental and safety hazards. Federal tax policy promotes conventional energy sources at the expense of more benign alternatives such as efficiency improvements. The Accelerated Cost Recovery System (ACRS) is the largest of the energy tax expenditures, saving utilities about $5 billion and oil firms between $6 and $10 billion in taxes a year. The investment tax credit (ITC) costs the Treasury at least $5 billion a year. Utilities also enjoy exclusive federal tax loopholes, including a dividend reinvestment scheme and the two-county rule. Federal tax expenditures for oil and gas development are even larger, with coal development qualifying for most of the benefits on a smaller scale. Only about $1 billion remains for renewable resources and conservation.

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