

CleanTheDarnAir.org Carbon Tax Act: Policy Overview

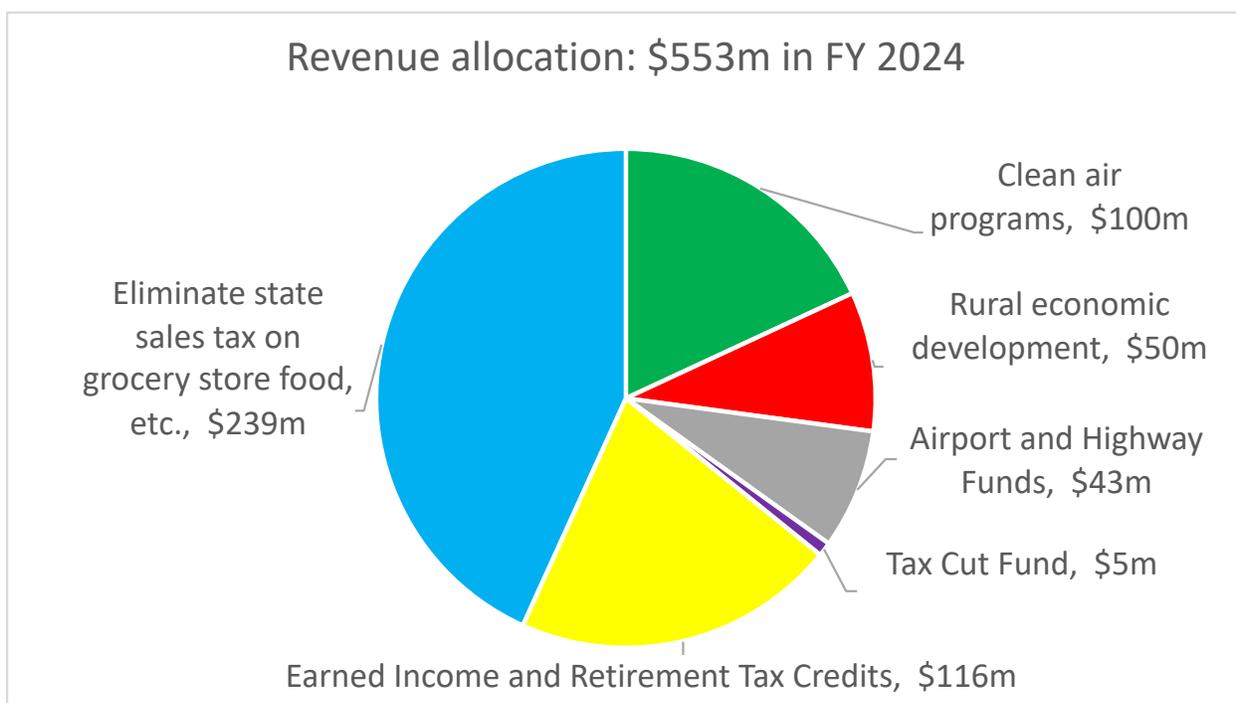
Summary

This proposal includes a modest carbon tax, with about one-third of the revenue going to clean up local air pollution and fund rural economic development and two-thirds of the revenue going to reduce existing taxes, including eliminating the state sales tax on grocery store food.

More details

The carbon tax would start at \$12 per metric ton CO₂ (about 11 cents per gallon of gasoline, about 1 cent per kWh electricity). It would start in 2022, go up slowly over time, and fund:

- **\$100 million a year for cleaning up local air pollution** from wood-burning stoves, gas-powered lawnmowers, freight-switcher locomotives, dirty school buses, and more.
- **\$50 million a year for rural economic development.**
- Elimination of the **state sales tax on grocery store food** and other regressive sales taxes.
- A 20% match of the federal **Earned Income Tax Credit** for low-income working families.
- An expansion and extension of the **Retirement Tax Credit**.
- A phase-in of the carbon tax rate for agriculture, mining, and manufacturing businesses (i.e., **energy-intensive trade-exposed businesses**) to help them stay competitive.
- **Additional tax cuts** if possible, as determined by the state legislature.



Even more details (over)...

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The carbon tax starts at \$12 per metric ton CO₂ in 2022 and goes up at 3.5% plus inflation, reaching (in real terms) \$15 per ton in 2029, \$20 per ton in 2037, etc., up to a maximum of \$100 per ton. It applies to motor fuels (\$12 per ton is ≈11 cents per gallon), electricity consumption (≈1 cent per kWh, but it depends on each utility's fuel mix), and natural gas (≈6 cents per therm); for all of these, \$12 per ton CO₂ is at or below 10% of current retail prices. The tax also applies to coal, off-road diesel, and fuel gas used by large facilities—such as refineries and steel mills, but not power plants because the electricity tax is on consumption—that emit over 10,000 tons of CO₂ per year (equivalent to about 1 million gallons of diesel).

To help them stay competitive in national and international markets, industrial users (e.g., agriculture, mining, and manufacturing companies) get a reduced rate: 10% of the standard rate in year 1, 15% in year 2, etc., and then 50% in the second decade and beyond. Off-road diesel is only subject to the carbon tax in facilities that emit over 10,000 tons of CO₂ per year.

Most of the revenue from the carbon tax would go into a Carbon Emissions Fund, except that federal regulations essentially require taxes on jet fuel to go into an Airport Fund. (Also, as required by Utah's constitution, the carbon tax on motor fuels goes into the Highway Fund, but a roughly equivalent amount of the sales tax money currently going to highways is put into the Carbon Emissions Fund instead, the net impact on the Highway Fund being slightly positive.)

This Carbon Emissions Fund revenue is directed as follow, in order of priority:

- Transfers to the Education Fund to make up the lost revenue from the **20% match of the federal Earned Income Tax Credit** and from supplementing the **Retirement Tax Credit** (which is expanded from a maximum of \$450 per person to \$650 per person, with eligibility extended by 10 years, from born-before-1953 to born-before-1963).
- Transfers to the General Fund to make up the lost revenue from **eliminating the state sales tax on grocery store food** (and also eliminating the state sales tax on electricity and heating fuels, which will partially cushion the price impact of the carbon tax while still giving electric utilities an incentive to reduce emissions).
- Annual spending of \$100m on **improving air quality** (\$25m to the CARROT program, which reduces emissions from school buses, industrial vehicles, and lawn equipment, and \$75m to DEQ for a Clean Air Grants Program) and \$50m on **rural economic development** through the Governor's Office of Economic Development. The \$25m for the CARROT program (Clean Air Retrofit and Replacement of Off-road Technology) gets top priority, then the \$50m for rural economic development, and then the \$75m for the Clean Air Grants, which goes away if and when the state meets Clean Air Act standards.

Any remaining revenue goes into a Carbon Emissions Tax Refund Restricted Account that the legislature can only use to “lower state taxes, especially for low- and middle-income households and for energy-intensive trade-exposed businesses.”