

Clean The Air Carbon Tax Act: Policy Overview from DarnAir.org

Summary

Our proposal for Utah puts \$100m a year into local air quality programs and \$50m a year into rural economies, eliminates the state sales tax on grocery store food and expands the state's Earned Income Tax Credit match for low-income working families, and pays for it all with a modest carbon tax on the fossil fuels that are the main source of both local air pollution and global climate change.

More details

The carbon tax starts in 2026 and funds:

- **\$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. This money also reduces emissions by reducing fares for and expanding access to public transit for groups including students, elders, and low-income individuals.
- **\$50 million a year for rural economies** in parts of the state that are struggling economically and/or don't have air quality problems.
- **Elimination of the state sales tax on grocery store food.**
- Expansion of the current 15% non-refundable match of the federal **Earned Income Tax Credit** for low-income working families to a 20% refundable match.
- **Additional tax cuts**, especially for low- and middle-income households and for energy-intensive trade-exposed businesses, if there is any remaining revenue.

The carbon tax starts at \$12 per metric ton CO₂ (a bit less than 10 cents per gallon gasoline, about 0.8 cent per kWh electricity) and goes up slowly over time. There are exemptions or reduced rates for agriculture and industry to help these energy-intensive trade-exposed businesses stay competitive.

[Pie chart coming in February after the release of the official fiscal analysis.]

Even more details (over)...

Even more details

The carbon tax starts at \$12 per metric ton CO₂ in 2026 and goes up at 3.5% plus inflation, reaching (in real terms) \$15 per ton in 2033, \$20 per ton in 2041, etc., up to a maximum of \$120 per ton. The carbon tax applies to electricity consumption, calculated based on the fuel mix of each utility. (For most utilities, \$12 per ton works out to less than 0.8 cents per kWh, which is at or below 10% of current residential retail prices.) The carbon tax also applies to motor fuels (\$12 per ton is a bit less than 10 cents per gallon for gasoline and about 12 cents per gallon for diesel and jet fuel) and to natural gas not used for electricity generation (\$12 per ton is about 6.6 cents per therm, or 66 cents per mcf, but with a reduced rate for industrial use as described below); for both motor fuels and natural gas, \$12 per ton is below 10% of current retail prices. Finally, the carbon tax is levied, at a reduced rate as described below, to a few dozen large facilities such as refineries and steel mills that [report to the EPA](#) more than 25,000 metric tons of CO₂ emissions from fossil fuels other than natural gas. (Because the carbon tax is levied elsewhere on natural gas and on electricity consumption, the carbon tax on large facilities does not cover consumption of natural gas and it does not cover power plants that generate electricity.)

To help them stay competitive in national and international markets, industrial users get a reduced rate that phases in over a few decades: 10% of the standard rate in 2026, 12% in 2027, etc. Red-dyed agricultural diesel is exempt, as is most off-road diesel except railroad diesel.

Most of the revenue from the carbon tax goes into a Carbon Emissions Fund, except that carbon taxes on jet fuel to go into an Airport Fund as required by federal rules. 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.

This Carbon Emissions Fund revenue is directed as follow:

- \$100m for **improving air quality** (\$5m to UTA to expand access for and reduce fares for groups including students, elders, and low-income individuals; \$20m 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).
- \$50m for **rural economies** through the Governor's Office of Economic Development.
- Transfers to the General Fund to make up the lost revenue from **eliminating the state sales tax on grocery store food**.
- Transfers to the Income Tax Fund (formerly the Education Fund) to make up the lost revenue from expanding the current 15% non-refundable match of the federal Earned Income Tax Credit to a **20% refundable EITC match**.

If there is insufficient revenue, all of these transfers are reduced in proportion to the overall shortfall. If there is excess revenue, the remaining revenue goes into a Tax Refund 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."