

HOUSE No. 2532

The Commonwealth of Massachusetts

PRESENTED BY:

Thomas P. Conroy and Michael Barrett

To the Honorable Senate and House of Representatives of the Commonwealth of Massachusetts in General Court assembled:

The undersigned legislators and/or citizens respectfully petition for the passage of the accompanying bill:

An Act relative to shifting from carbon emissions to transportation investment.

PETITION OF:

NAME:	DISTRICT/ADDRESS:
<i>Thomas P. Conroy</i>	<i>13th Middlesex</i>
<i>Michael Barrett</i>	<i>Third Middlesex</i>
<i>William N. Brownsberger</i>	<i>Second Suffolk and Middlesex</i>
<i>Frank I. Smizik</i>	<i>15th Norfolk</i>
<i>Jason M. Lewis</i>	<i>31st Middlesex</i>
<i>Kay Khan</i>	<i>11th Middlesex</i>
<i>Sean Garballey</i>	<i>23rd Middlesex</i>
<i>Denise Provost</i>	<i>27th Middlesex</i>
<i>Alice Hanlon Peisch</i>	<i>14th Norfolk</i>
<i>Carl M. Sciortino, Jr.</i>	<i>34th Middlesex</i>
<i>James B. Eldridge</i>	<i>Middlesex and Worcester</i>
<i>Cory Atkins</i>	<i>14th Middlesex</i>
<i>Ruth B. Balsler</i>	<i>12th Middlesex</i>

HOUSE No. 2532

By Mr. Conroy of Wayland and Senator Barrett, a joint petition (accompanied by bill, House, No. 2532) of Thomas P. Conroy and others for legislation to impose a tax on certain fuels and to dedicate the revenue raised toward transportation investment. Revenue.

The Commonwealth of Massachusetts

In the Year Two Thousand Thirteen

An Act relative to shifting from carbon emissions to transportation investment.

Be it enacted by the Senate and House of Representatives in General Court assembled, and by the authority of the same, as follows:

- 1 The General Laws are hereby amended by inserting after chapter 64M the following
- 2 chapter:
- 3 CHAPTER 64N: TAXATION ON CARBON EMISSION
- 4 SECTION 1: DEFINITIONS
- 5 As used in this chapter, the following words shall, have the following meaning:
- 6 “Carbon-based fuel”, coal, natural gas, petroleum products and any other product used for fuel
- 7 that contains carbon and emits carbon dioxide when combusted; provided, however, that carbon-
- 8 based fuel shall not include any product used for fuel that is derived from a resource that is less
- 9 than 1,000 years old in its natural state.
- 10 “Commissioner”, the commissioner of revenue.
- 11 “Fuel”, shall have the same meaning as in section one of chapter sixty-four A, except shall also
- 12 include diesel motor fuel.
- 13 “Non-carbon tax”, a tax imposed pursuant to any chapter in the general laws other than this
- 14 chapter.
- 15 “Person”, shall have the same meaning as defined in section seven of chapter four.
- 16 “Petroleum products”, propane, gasoline, unleaded gasoline, kerosene, number 2 heating oil,
- 17 diesel fuel, kerosene base jet fuel, and number 4, number 5 and number 6 residual oil for utility
- 18 and non-utility uses, and all petroleum derivatives, whether in bond or not, which are commonly
- 19 burned to produce heat, power, electricity or motion or which are commonly processed to
- 20 produce synthetic gas for burning.
- 21 “Renewable Biomass”, shall have the same meaning as defined in section one of chapter sixty-
- 22 four A.

23 “Retail Customer”, a person who purchases carbon-based fuel for his or her own consumption.
24 “Retail Purchase”, a purchase of carbon-based fuel made by a person for his or her own
25 consumption.

26 “Secretary”, the secretary of administration and finance.

27 “Tax”, the tax imposed pursuant to this chapter.

28 SECTION 2: SUBJECT TO TAXATION

29 Any person who is licensed to sell fuel in the commonwealth pursuant to section two of
30 chapter sixty-four A; or distributes any type of carbon-based fuel or renewable biomass for the
31 retail purchase of residential or commercial building heat, is subject to the tax of this chapter.

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33 SECTION 3: DETERMINATION OF TAX

34 a) The tax shall be imposed at a rate of \$5 per ton of carbon in any carbon-based fuel that is
35 sold to retail customers in the commonwealth as follows:

36 (1) The department of revenue shall calculate the tax liability associated with any retail
37 purchase by multiplying the rate designated in this section by the total amount of carbon in each
38 carbon-based fuel sold to retail consumers in the commonwealth.

39 (2) The department of energy resources shall assist the department of revenue in calculating
40 the tax liability associated with any retail purchase by determining the average amount of carbon
41 used in the usage of carbon-based fuel and renewable biomass as taxed in this chapter. For the
42 purpose of calculating the tax, the department of energy resources shall determine the percentage
43 of carbon in each carbon-based fuel and report those percentages to the department of revenue.

44 (3) The department of revenue and the department of energy resources shall inform the
45 secretary of their findings, and provide any information or data that the secretary requests to
46 carry out of his responsibilities pursuant to section six of this chapter, by January 1 of each year.

47 (4) The legislature may vote to increase the tax at any time after the secretary’s presentation
48 to the legislature pursuant to section six of this chapter; provided, however, that the legislature
49 may not vote to decrease the tax; provided further that the tax shall increase by at least the rate of
50 annual inflation plus 1 percent for the first ten years that this chapter is in effect, and by at least
51 the rate of annual inflation thereafter.

52 (5) The legislature may vote to increase the revenue cap described in subsection 6(a)(3) by
53 more than the rate of annual inflation at any time after the secretary’s presentation to the
54 legislature pursuant to section six; provided, however, that the vote to increase the revenue cap
55 must also increase the tax by more than the rate of annual inflation.

56 (6) The department of revenue and the department of energy resources may adopt any rules
57 necessary for the calculation and collection of the tax imposed under this section.

58 SECTION 4: MONTHLY RETURNS AND PAYMENT OF EXCISE

59 a) Any person licensed to sell fuel in the commonwealth pursuant to section two of chapter
60 sixty-four A, who is required to file a return pursuant to subsection (a) of section 16 of chapter
61 sixty-two C, shall pay to the commissioner an excise at the tax per gallon determined by the
62 department of revenue pursuant to section 3 of this chapter, upon each gallon of fuel sold by such

63 person in the commonwealth during the calendar month covered by the return.

64 b) Any person who distributes any type of carbon-based fuel or renewable biomass for the
65 retail purchase of residential or commercial building heat shall pay to the commissioner an
66 excise at the tax per gallon determined by the department of revenue pursuant to section 3 of this
67 chapter, upon each gallon of carbon-based fuel sold by such person in the commonwealth during
68 the calendar month covered by the return, in the same manner and at the same time as those
69 returns and excises described in chapter sixty-two C.

70 c) Notwithstanding the revenue disbursement requirement pursuant to subsection 8(b) of
71 this chapter, the commissioner shall deposit the revenue from the tax into the Carbon Tax
72 Revenue Fund, as established in section 7 of this chapter.

73 SECTION 5: PURCHASER TO BEAR TAX

74 The tax in every instance shall be borne by the retail customer, and no person offering carbon-
75 based fuel or renewable biomass for sale shall sell, advertise or offer for sale said carbon-based
76 fuel or renewable biomass separately from the tax imposed by this chapter.

77 SECTION 6: PLANS AND REPORTS RESPECTING THE CARBON TAX

78 The secretary must annually prepare and present a carbon tax plan and report to the legislature
79 in the following manner:

80 a) The carbon tax plan must cover a 3-year period beginning with the start of the fiscal year
81 following the fiscal year in which the plan is presented to the legislature, and must include the
82 following information for each fiscal year covered by the plan:

83 (1) a forecast for the carbon tax revenues to be collected;

84 (2) a forecast of the reduction in the non-carbon tax revenues as a result of the carbon tax
85 revenues; and

86 (3) a forecast that specifies a manner by which the carbon tax will be revenue-neutral for the
87 first fiscal year of the plan, and revenue-positive by no more than \$100 million dollars for each
88 subsequent fiscal year of the plan. The revenue cap of \$100 million shall increase each year at
89 the rate of annual inflation plus 1 percent for the first ten years that this chapter is in effect, and
90 by at least the rate of annual inflation thereafter.

91 b) The carbon tax report must cover a 2-year period that ends at the end of the the fiscal year
92 before the fiscal year in which the report is presented to the legislature and must include the
93 following information for each fiscal year covered by the report:

94 (1) the actual carbon tax revenue collected;

95 (2) the reduction in non-carbon tax revenues as a result of the carbon tax revenues; and

96 (3) any difference between the actual carbon tax revenue collected and the reduction in non-
97 carbon tax revenues; provided that any such difference shall be included in the carbon tax plan.

98 c) The secretary must present the carbon tax plan and report to the House and Senate Ways
99 and Means Committees and to the Joint Revenue Committee before March 1 of the fiscal year in
100 which this chapter takes effect.

101 SECTION 7: ESTABLISHMENT OF A CARBON TAX REVENUE FUND

102 a) There shall be established and set up on the books of the commonwealth a separate fund

103 to be known as the Carbon Tax Revenue Fund, consisting of amounts transferred to the fund in
104 accordance with the provisions of section 4(c) and section 8 of this chapter, and income derived
105 from the investment of amounts so transferred. The purpose of the fund shall be to maintain a
106 reserve which shall be used only in the manner as provided herein:

107 □(1) A decrease in the rate of tax for general corporate income, pursuant to subsection
108 39(a)(2) of chapter sixty-three, shall be provided, subject to appropriation, for the taxable year
109 ending on the succeeding December thirty-first to the extent that 80 percent of the amount in the
110 Carbon Tax Revenue Fund generated by commercial and industrial emitters plus 50 percent of
111 the amount in the Carbon Tax Revenue Fund generated by retail customers of fuel equals an
112 integer multiple of one-tenth of one percent of the rate of general corporate income taxes which
113 will not be collected for said taxable year on account of said rate reductions.

114 □(2) An increase in the amounts of the personal exemption allowable on the income tax,
115 pursuant to subsections 3(B)(b)(1)(A), 3(B)(b)(1A)(A), and 3(B)(b)(2)(A) of chapter sixty-two,
116 shall be provided, subject to appropriation, for the taxable year ending on the succeeding
117 December thirty-first to the extent that 20 percent of the amount in the Carbon Tax Revenue
118 Fund generated by commercial and industrial emitters plus 40 percent of the amount in the
119 Carbon Tax Revenue Fund generated by individual emitters plus 30 percent of the amount in the
120 Carbon Tax Revenue Fund generated by retail customers of fuel equals an integer multiple of
121 five percent of each respective exemption, the result of which is the amount of the personal
122 income taxes which will not be collected for said taxable year on account of said increased
123 personal exemptions.

124 □(3) An increase in the amount of exempt income of individuals of the income tax, pursuant to
125 section 5(a) of chapter sixty-two, shall be provided, subject to appropriation, for the taxable year
126 ending on the succeeding December thirty-first to the extent that 60 percent of the amount in the
127 Carbon Tax Revenue Fund generated by individual emitters equals an integer multiple of five
128 percent of the exemption, the result of which is the amount of the personal income taxes which
129 will not be collected for said taxable year on account of said increased exempt amount.

130 □(4) An increase in the amount of the potential tax credit (the so-called “senior circuit
131 breaker”), pursuant to subsection 6(k)(2) of chapter sixty-two, shall be provided, subject to
132 appropriation, for the taxable year ending on the succeeding December thirty-first to the extent
133 that 10 percent of the amount in the Carbon Tax Revenue Fund generated by retail consumers of
134 fuel equals an integer multiple of five percent of the total credit, the result of which is the amount
135 of the personal income taxes which will not be collected for said taxable year on account of said
136 personal credits.

137 □(5) An increase in the rate of the earned income tax credit (the so-called “Massachusetts
138 Match”), pursuant to section 6(h) of chapter sixty-two, shall be provided, subject to
139 appropriation, for the taxable year ending on the succeeding December thirty-first to the extent
140 that 30 percent of the amount in the Carbon Tax Revenue Fund generated by retail consumers of
141 fuel equals an integer multiple of one percent of the rate of the state credit, the result of which is
142 the amount of personal income taxes which will not be collected for said taxable year on account

143 of said personal credits.

144 SECTION 8: CARBON TAX REVENUE REQUIREMENTS

145 a) In the first year of the tax, the treasurer shall disburse the full balance of the revenue from
146 the tax into the Carbon Tax Revenue Fund.

147 b) In each subsequent year in which the tax is imposed, excluding the first year, the net
148 annual commonwealth revenue from the tax shall be \$100 million, and shall increase by the
149 amount of inflation plus 1 percent each year for ten years, and the rate of inflation for each year
150 thereafter. The treasurer shall disburse the commonwealth revenue from this subsection, to the
151 schedule of disbursements described in section 9, and shall deposit the remaining balance of the
152 revenue from the carbon tax into the Carbon Tax Revenue Fund.

153 SECTION 9: COMMONWEALTH DISBURSEMENTS

154 a) The treasurer shall disburse the commonwealth revenue pursuant to subsection 8(b) of
155 this chapter according to the following schedule:

156 (1) 90% towards one or more of the following needs and measures:

157 i. eliminating the Central Artery/Tunnel debt that resides on the balance sheets of the
158 Massachusetts Department of Transportation and Massachusetts Bay Transit Authority; or

159 ii. Preventing an increase in tolls on the Massachusetts Turnpike; or

160 iii. Massachusetts Bay Transit Authority operating and capital needs to limit fare and
161 parking increases to no more than 3 percent per year; or

162 iv. Massachusetts Department of Transportation for road and bridge repair and maintenance;
163 or

164 v. Massachusetts association of regional transit authorities

165 (2) Ten percent towards the Renewable Energy Trust Fund, administered by the
166 Massachusetts Clean Energy Center, as described in section nine of chapter twenty-three J.

167 b) The treasurer shall make such disbursements under this section after the secretary's
168 presentation pursuant to section six of this chapter.

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