CARBON TAX

Description
A carbon tax is a fee placed on pollution resulting from the burning of fossil fuels. Due to difficulty in measuring individual carbon emissions, fuel consumption can be used as a proxy. In Texas, this tax would be operationalized as an addition to the fuel tax rate.

How Will This Help?
- **Provide additional funds for transportation** – Implementing a carbon tax would provide funds to help reduce traffic congestion and maintain the safety and quality of Texas roads and bridges.
- **Reduce external costs from transportation** – Society currently bares the cost of carbon emissions from motor fuel use in the form of air pollution and global warming. A tax on carbon provides a disincentive to purchase fuels that emit carbon by charging drivers for the impact burning those fuels has on other individuals.
- **Reduce need for excessive borrowing** – Texas has increasingly turned to bonds as a means of financing transportation improvements as the fuel tax has lost purchasing power. Texas could help slow a growing trend of using the credit card to pay for roadway projects by increasing the state motor fuels tax through inclusion of a carbon tax.

What's the Downside?
**General opposition to tax increases** – The Legislature and the public have recently been opposed to tax or fee increases.

Estimated Funding Yield
- **10 cents/gallon of motor fuel**: $6.5 billion for transportation from 2014 to 2017.

Implementation Issues
- Very low cost to implement; no new technology or increased costs of compliance to users.
- Legislative action is required to implement this funding change.
- Voters/users would need to be educated regarding the costs and benefits.

For more information, please refer to: http://mobility.tamu.edu/mip/strategies.php.