

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.
- **20 cents/gallon of motor fuel:** \$13.1 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.



Around the World

British Columbia currently levies a carbon tax on fuel of 27.5 cents per gallon of gasoline.

Finland and Denmark both received tax revenue of nearly 0.3 percent GDP from carbon taxes in 2007.

Sweden raised 0.8 percent of its GDP in tax revenue using carbon taxes in 2007.

Norway and Sweden both dedicate revenues from carbon taxes to their general revenue funds; allowing them flexibility in budgeting.