S.B. NO. 3150 S.D. 2 H.D. 1 PROPOSED

A BILL FOR AN ACT

RELATING TO TAXATION.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:

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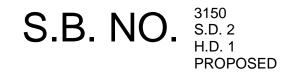
PART I

2 SECTION 1. The legislature finds that climate change is 3 the most critical issue confronting the State of Hawaii. The 4 overwhelming consensus of climate scientists who have studied 5 the issue is that climate change is occurring primarily as a 6 result of the combustion of fossil fuels. The legislature 7 concurs with this conclusion.

8 The Hawaii climate change mitigation and adaptation 9 commission has stated that the most effective single means of 10 reducing greenhouse gas emissions is to "put a price on carbon". 11 The concept of "carbon pricing" is supported by various local 12 and state entities and, as of the end of 2018, fifty-one carbon 13 pricing initiatives have been implemented or scheduled for 14 implementation worldwide. Numerous respected economists have 15 emphasized the importance of assuring that the social costs of 16 the adverse impacts of carbon dioxide emissions will be included 17 in future market pricing involving fossil fuels.

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1 The legislature further finds that the best means of carbon 2 pricing for the State is a use-based tax on all carbon dioxide-3 emitting fuels, such as oil, gas, and coal. The department of 4 taxation already implements various fuel-based taxes, including 5 the environmental response, energy, and food security tax, which 6 imposes a tax on barrels of petroleum products. A separate tax 7 is also imposed on fossil fuels other than petroleum, applied to 8 each million British thermal units (BTUs) of heat value of a 9 The legislature concludes that the environmental fuel. 10 response, energy, and food security tax provisions could be 11 amended to implement a state carbon emissions tax. However, the 12 current tax rates per barrel and per million BTUs of fossil 13 fuels should be replaced with a tax table that reflects the quantity of carbon dioxide emissions produced per barrel or per 14 million BTUs of various fuels. 15

A carbon emissions tax is typically calculated as a value per metric ton of carbon dioxide equivalent emissions. Many climate change experts have concluded that, to be effective in achieving reductions in combustion of fossil fuels to the extent needed to meet the goals set under the Paris Agreement, the price of carbon emissions should be set in the range of \$40 per

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1	metric ton of carbon dioxide emissions in 2020, and increase to				
2	a price of \$80 by 2030. The legislature finds that the need to				
3	establish effective carbon prices is compelling.				
4	Accordingly, the purpose of this Act is to:				
5	(1) Establish a carbon emissions tax;				
6	(2) Establish a carbon emissions tax special fund and a				
7	special fund for climate adaptation; and				
8	(3) Establish a refundable tax credit for lower-income				
9	individuals to mitigate the effect of the carbon				
10	emissions tax.				
11	The legislature notes that, since the initial increase in tax				
12	rates is not scheduled to take effect until , the				
13	legislature will have the opportunity to consider any revisions				
14	to the tax rates set by this Act that may be warranted by the				
15	results of the carbon pricing study currently underway pursuant				
16	to Act 122, Session Laws of Hawaii 2019.				
17	PART II				
18	SECTION 2. Chapter 243, Hawaii Revised Statutes, is				
19	amended by adding two new sections to be appropriately				
20	designated and to read as follows:				

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1	" <u>§243-A</u> <u>Carbon (</u>	emissions	tax. (a)	In additi	on to any
2	other taxes provided by law, subject to the exemptions set forth				
3	in section 243-7, the	re is herel	by levied	, assessed,	and
4	collected a carbon em	issions ta:	x on each	barrel or	fractional
5	part of a barrel of pe	etroleum p	roduct so	ld by a dis	tributor to
6	any retail dealer or e	end user o	f petrole	um product,	other than a
7	refiner. The tax on a	each barre	l or fract	tional part	of a barrel
8	of petroleum product	shall be in	n the amou	unts provid	ed in the
9	following table:				
10	Product	2021	2024	2027	2030
11	Propane; Butane	\$	\$	\$	\$
12	Gasoline	\$	\$	\$	\$
13	Diesel	\$	\$	\$	\$
14	Kerosene	\$	\$	\$	\$
15	No. 6 fuel oil	\$	\$	\$	\$
16	Other	\$	\$	\$	\$
17	The tax for each year referenced above shall take effect on				
18	July 1 of that year and continue to be applicable until the				
19	effective date of the	next incr	ement.		
20	The tax imposed l	by this sul	bsection s	shall be pa	id by the
21	distributor of the pe	troleum pro	oduct.		

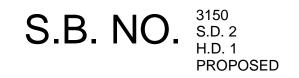
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1	(b) Of the tax revenues collected pursuant to subsection			
2	(a), \$ shall be deposited into the carbon emissions tax			
3	special fund, with the excess revenues to be deposited into the			
4	climate adaptation special fund.			
5	(c) In addition to subsection (a), the carbon emissions			
6	tax shall also be levied, assessed, and collected on each one			
7	million British thermal units of fossil fuel sold by a			
8	distributor to any retail dealer or end user, other than a			
9	refiner, of fossil fuel. The tax on each one million British			
10	thermal units of fossil fuel is set forth in the following			
11	table:			
12	<u>Fuel</u> <u>2021</u> <u>2024</u> <u>2027</u> <u>2030</u>			
13	<u>Coal (all</u>			
14	<u>forms)</u> <u>\$</u> <u>\$</u> <u>\$</u>			
15	Natural gas			
16	<u>(including</u>			
17	liquefied			
18	<u>natural gas) \$ \$ \$</u>			
19	The tax for each year referenced above shall take effect on			
20	July 1 of that year and continue to be applicable until the			
21	effective date of the next increment.			

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1	The tax imposed by this subsection shall be paid by the
2	distributor of the fossil fuel.
3	(d) Of the tax revenues collected pursuant to subsection
4	(c), \$ shall be deposited into the carbon emissions tax
5	special fund, with the excess revenues to be deposited into the
6	climate adaptation special fund.
7	(e) The tax imposed under subsection (c) shall not apply
8	to coal used to fulfill an existing power purchase agreement
9	between an independent power producer and an electric utility
10	that is in effect as of June 30, 2015; provided that this
11	exemption from taxation shall not apply to any extension of an
12	existing power purchase agreement or to any subsequent power
13	purchase agreement. An independent power producer shall be
14	permitted to pass the tax imposed under subsection (c) on to an
15	electric utility. In any case in which the tax is passed on,
16	the electric utility may recover the cost of the tax through an
17	appropriate surcharge to the end user that is approved by the
18	public utilities commission.
19	(f) A gas utility shall be allowed to recover the cost of
20	the tax imposed under subsection (c) as part of its fuel cost in

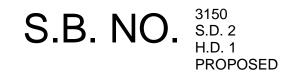




1	its fuel adjustment charge without further approval by the
2	public utilities commission.
3	(g) Each distributor subject to the tax imposed by
4	subsection (a) or (c), on or before the last day of each
5	calendar month, shall file with the director, on forms
6	prescribed, prepared, and furnished by the director, a return
7	statement of the tax under this section for which the
8	distributor is liable for the preceding month. The form and
9	payment of the tax shall be transmitted to the department of
10	taxation in the appropriate district.
11	(h) Notwithstanding section 248-8 to the contrary, the
12	carbon emissions tax collected under this section shall be paid
13	over to the director of finance for deposit as provided in
14	subsection (b) or (d), as the case may be.
15	(i) Every distributor shall keep in the State and preserve
16	for five years a record in a form as the department of taxation
17	shall prescribe showing the total number of barrels, and the
18	fractional part of barrels, of petroleum product or the total
19	number of one million British thermal units of fossil fuel, as
20	the case may be, sold by the distributor during any calendar
21	month. The record shall show any other data and figures

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1	relevant to the enforcement and administration of this chapter
2	as the department may require.
3	(j) For the purposes of this section:
4	"Barrel" may be converted to million British thermal units,
5	using the United States Department of Energy, Energy Information
6	Administration annual energy review or annual energy outlook.
7	"Fossil fuel" means a fuel, such as coal, natural gas, or
8	liquefied natural gas, derived from a hydrocarbon deposit
9	resulting from the accumulated remains of ancient plants or
10	animals; provided that the term specifically does not include
11	petroleum product.
12	§243-B Carbon emissions tax special fund. (a) There is
13	established in the state treasury the carbon emissions tax
14	special fund, into which shall be deposited revenues from the
15	carbon emissions tax, pursuant to section 243-A.
16	(b) The director of taxation shall administer the carbon
17	emissions tax special fund.
18	(c) All moneys paid into the carbon emissions tax special
19	fund shall be appropriated, applied, or expended by the
20	department of taxation for the administration of the tax credit



1	<u>to mitiga</u>	te the effect of a carbon emissions tax on lower income			
2	taxpayers, pursuant to section 235"				
3	PART III				
4	SECT	ION 3. Chapter 235, Hawaii Revised Statutes, is			
5	amended b	y adding a new section to be appropriately designated			
6	and to re	ad as follows:			
7	" <u>§23</u>	5- <u>Tax credit to mitigate the effect of a carbon</u>			
8	emissions	tax on lower income taxpayers. (a) There shall be			
9	allowed t	o each qualified taxpayer subject to the tax imposed			
10	<u>under thi</u>	s chapter, an income tax credit that shall be			
11	deductible from the taxpayer's net income tax liability, if any,				
12	imposed by this chapter for the taxable year in which the credit				
13	is proper	ly claimed.			
14	(b)	The amount of the tax credit shall be determined as			
15	follows:				
16	(1)	For a taxpayer filing a single return or a married			
17	person filing separately, the applicable tax credit is				
18	determined by which bracket in the following table the				
19	taxpayer's gross annual household income falls within:				
20					
21		Gross Annual Household Income Credit Amount			



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1		\$ or less but	
2		more than \$	<u>\$</u>
3			
4		\$ or less but	
5		more than \$	\$
6			
7		\$ or less but	
8		more than \$	<u>\$</u>
9			
10		\$ or less but	
11		more than \$	<u>\$</u>
12			
13		\$ or less	<u>\$</u> .
14			
15	(2)	For a taxpayer filing as a head of	household, the
16		applicable tax credit is determine	ed by which bracket
17		in the following table the taxpaye	er's gross annual
18		household income falls within:	
19			
20		Gross Annual Household Income	Credit Amount
21		\$ or less but	



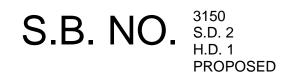
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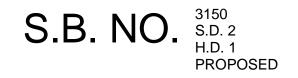
1		more than	\$		\$		
2							
3		<u>\$</u>	or less but				
4		more than	\$		\$		
5							
6		\$	or less but				
7		more than	\$		\$		
8							
9		\$	or less but				
10		more than	\$		\$		
11							
12		\$	or less		\$	•	
13							
14	(3)	<u>For a taxp</u>	ayer filing	a joint retur	n or as	a surv	iving
15		spouse, th	e applicable	tax credit i	s deter	mined b	<u>Y</u>
16		which brac	ket in the f	ollowing tabl	e the t	axpayer	's
17		gross annu	al household	income falls	within	<u>:</u>	
18							
19		<u>Gross Annu</u>	al Household	Income	Credit	Amount	
20		<u>\$</u>	or less but				
21		more than	\$		\$		

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1			
2	\$	or less but	
3	more	than \$	<u>\$</u>
4			
5	<u>\$</u>	or less but	
6	more	than \$	<u>\$</u>
7			
8	<u>\$</u>	or less but	
9	more	than \$	<u>\$</u>
10			
11	<u>\$</u>	or less	<u>\$</u> .
12	(c) If th	e tax credit claimed b	by the taxpayer under this
13	section exceeds	the amount of the inc	come tax payments due from
14	the taxpayer, t	he excess of credit or	ver payments due shall be
15	refunded to the	taxpayer; provided th	nat the tax credit properly
16	<u>claimed by a ta</u>	xpayer who has no inco	ome tax liability shall be
17	paid to the tax	payer; provided furthe	er that no refunds or
18	payments on acc	ount of the tax credit	t allowed by this section
19	shall be made f	or amounts less than s	31. All moneys used to pay
20	for refunds iss	ued pursuant to this s	section shall be derived
21	from the carbon	emissions tax special	l fund.



1	All	claims for the tax credit under this section, including
2	amended c	laims, shall be filed on or before the end of the
3	twelfth m	onth following the close of the taxable year for which
4	the credi	t may be claimed. Failure to comply with the foregoing
5	provision	shall constitute a waiver of the right to claim the
6	credit.	
7	<u>(</u> d)	The director of taxation:
8	(1)	Shall prepare any forms that may be necessary to claim
9		a tax credit under this section;
10	(2)	May require the taxpayer to furnish reasonable
11		information to ascertain the validity of the claim for
12		the tax credit made under this section; and
13	(3)	May adopt rules under chapter 91 necessary to
14		effectuate the purposes of this section.
15	(e)	All of the provisions relating to assessments and
16	refunds u	nder this chapter and under section 231-23(c)(1) shall
17	apply to	the tax credit under this section.
18	(f)	As used in this section, "qualified taxpayer" means a
19	resident	taxpayer who meets the following criteria:
20	(1)	The taxpayer files an individual income tax return,
21		whether as a single taxpayer, a head of household, a



1	married individual filing a separate return, a married
2	couple filing a joint return, or a surviving spouse;
3	and
4	(2) The taxpayer has a gross annual household income
5	within the ranges listed in subsection (b)(1), (2), or
6	(3), as applicable."
7	PART IV
8	SECTION 4. Chapter 128D, Hawaii Revised Statutes, is
9	amended by adding a new part to be appropriately designated and
10	to read as follows:
11	"PART . CLIMATE ADAPTATION
12	§128D- Climate adaptation special fund. (a) There is
12 13	§128D- Climate adaptation special fund. (a) There is established within the state treasury the climate adaptation
13	established within the state treasury the climate adaptation
13 14	established within the state treasury the climate adaptation special fund, to be administered by the department, into which
13 14 15	established within the state treasury the climate adaptation special fund, to be administered by the department, into which shall be deposited:
13 14 15 16	<pre>established within the state treasury the climate adaptation special fund, to be administered by the department, into which shall be deposited: (1) Appropriations made by the legislature to the fund;</pre>
 13 14 15 16 17 	<pre>established within the state treasury the climate adaptation special fund, to be administered by the department, into which shall be deposited: (1) Appropriations made by the legislature to the fund; and</pre>
 13 14 15 16 17 18 	<pre>established within the state treasury the climate adaptation special fund, to be administered by the department, into which shall be deposited: (1) Appropriations made by the legislature to the fund; and (2) Carbon emissions tax revenues pursuant to section</pre>
 13 14 15 16 17 18 19 	<pre>established within the state treasury the climate adaptation special fund, to be administered by the department, into which shall be deposited: (1) Appropriations made by the legislature to the fund; and (2) Carbon emissions tax revenues pursuant to section 243-A.</pre>



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1	(1)	Post-disaster recovery projects that include plans to
2		address the impacts of sea level rise and coastal
3		flooding;
4	(2)	Sea level rise adaptation and shoreline protection;
5	(3)	Managed retreat; and
6	(4)	Assessment and protection of critical infrastructure
7		and areas of public interest and economic importance."
8		PART V
9	SECT	ION 5. In codifying the new sections added by section
10	2 of this	Act, the revisor of statutes shall substitute
11	appropria	te section numbers for the letters used in designating
12	the new s	ections in this Act.
13	SECT	ION 6. New statutory material is underscored.
14	SECT	ION 7. This Act shall take effect on July 1, 2050;
15	provided	that part III shall apply to taxable years beginning
16	after Dec	ember 31, 2021.





Report Title: Carbon Emissions Tax; Tax Credit

Description:

Establishes a carbon emissions tax. Establishes a refundable tax credit for lower-income individuals. Establishes a special fund to be used to administer the tax credit. Establishes a special fund for climate adaptation. Allocates carbon emissions tax revenues to the special funds. Effective 7/1/2050. Tax credit applies to taxable years beginning after 12/31/2021. (SB3150 HD1 PROPOSED)

The summary description of legislation appearing on this page is for informational purposes only and is not legislation or evidence of legislative intent.

