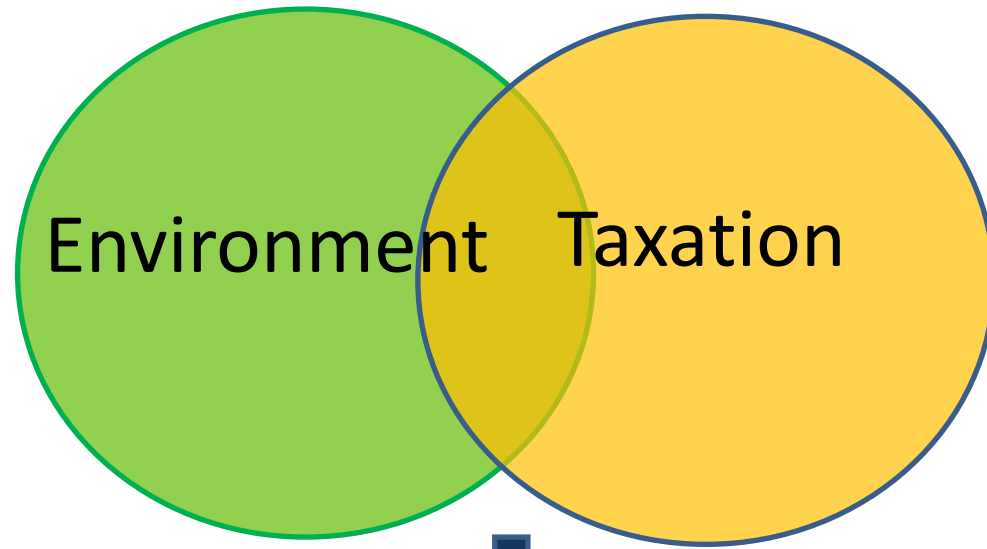


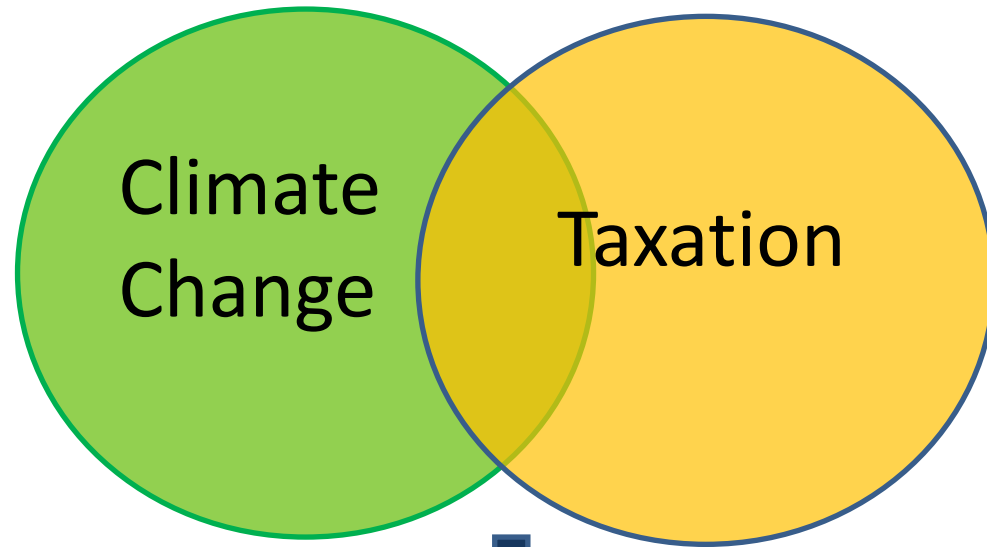
# **Carbon Pollution Taxes**

**House Committee on Natural Resources, Fish and Wildlife  
April 27, 2017**

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Professor of Law  
Director, Environmental Tax Policy Institute  
Vermont Law School**



**Environmental Taxes**



**Carbon pollution tax**  
**Carbon tax**  
**Carbon pollution fee**  
**Greenhouse gas emissions charge**

## Carbon Pollution Tax

Tax Base

x

Tax Rate

=

Tax Revenue

British Columbia has done it  
very simply.

## Carbon Pollution Tax

$$\text{Tax Base} \times \text{Tax Rate} = \text{Tax Revenue}$$



Fossil fuels CO<sub>2</sub>-e  
Limited Exemptions

## Carbon Pollution Tax

Tax Base

x

Tax Rate

=

Tax Revenue



Fossil fuels CO<sub>2</sub>-e  
Limited Exemptions



\$10/ton 2008  
\$30/ton 2012

## Carbon Pollution Tax

Tax Base

x

Tax Rate

=

Tax Revenue



Fossil fuels CO<sub>2</sub>-e  
Limited Exemptions



\$10/ton 2008  
\$30/ton 2012



Revenue neutral  
tax reform

# BUDGET AND FISCAL PLAN 2016/17 – 2018/19



### Revenue Neutral Carbon Tax Plan

Table 2, the Revenue Neutral Carbon Tax Plan 2016/17 to 2018/19, shows carbon tax revenue and tax reduction cost estimates for the revenue measures designated as those that return the carbon tax revenues to taxpayers for 2016/17 to 2018/19.

Carbon tax revenues for 2016/17 to 2018/19 are now forecast to be slightly lower than estimated when *Budget 2015* was prepared.

The three-year fiscal plan for *Budget 2016* assumes the cost of tax measures with sunset dates continues, for purposes of the plan,

beyond their expiry dates. The Carbon Tax Plan presented in Table 2 reflects this assumption.

As shown in Table 2, revenue from the carbon tax and the cost of the tax reductions are now estimated to be \$1,234 million and \$1,733 million, respectively, for 2016/17. Carbon tax revenues are now estimated at \$1,252 million in 2017/18 and \$1,275 million in 2018/19. This means the Carbon Tax Plan is revenue neutral for all years, with the tax cuts in 2017/18 and 2018/19 exceeding the carbon tax revenues by \$533 million and \$540 million, respectively.

Table 2 Revenue Neutral Carbon Tax Plan 2016/17 to 2018/19

	Forecast		
	2016/17	2017/18	2018/19
	(\$ millions)		
Carbon tax revenue <sup>1</sup>	1,234	1,252	1,275
<b>Designated revenue measures: <sup>2</sup></b>			
<b>Personal tax measures:</b>			
• Low income climate action tax credit of \$115.50 per adult plus \$34.50 per child effective July 1, 2011	(195)	(195)	(195)
• Reduction of 5% in the first two personal income tax rates	(288)	(302)	(315)
• Northern and rural home owner benefit of up to \$200 <sup>3</sup>	(83)	(84)	(84)
• BC seniors' home renovation tax credit	(2)	(2)	(2)
• Children's fitness credit and children's arts credit	(8)	(8)	(8)
• Small business venture capital tax credit budget increased	(5)	(5)	(5)
• Training tax credit extended – individuals <sup>3</sup>	(20)	(20)	(20)
<b>Total personal tax measures</b>	<b>(601)</b>	<b>(616)</b>	<b>(629)</b>
<b>Business tax measures:</b>			
• General corporate income tax rate reduced from 12% to 11% effective July 1, 2008, to 10.5% effective January 1, 2010, to 10% effective January 1, 2011 and increased to 11% effective April 1, 2013	(236)	(250)	(253)
• Small business corporate income tax rate reduced from 4.5% to 3.5% effective July 1, 2008 and to 2.5% effective December 1, 2008	(244)	(256)	(260)
• Corporate income tax small business threshold increased from \$400,000 to \$500,000	(21)	(21)	(21)
• Industrial property tax credit of 60% of school property taxes payable by major industry	(24)	(25)	(25)
• School property taxes reduced by 50% for land classified as "farm"	(2)	(2)	(2)
• Interactive digital media tax credit	(45)	(45)	(45)
• Training tax credit extended – businesses <sup>2</sup>	(10)	(10)	(10)
• Scientific research and experimental development tax credit extended in 2014 <sup>2</sup>	(150)	(160)	(170)
• Film incentive BC tax credit extended in 2009 and enhanced in 2010	(90)	(90)	(90)
• Production services tax credit extended in 2009 and enhanced in 2010	(310)	(310)	(310)
<b>Total business tax measures</b>	<b>(1,122)</b>	<b>(1,169)</b>	<b>(1,186)</b>
<b>Total revenue measures</b>	<b>(1,733)</b>	<b>(1,785)</b>	<b>(1,815)</b>

<sup>1</sup> The carbon tax applies to fuels and combustibles at rates based on the carbon dioxide equivalent emission of each particular fuel or combustible.

<sup>2</sup> The Plan assumes that the cost of tax measures with sunset dates continues beyond their expiry dates.

<sup>3</sup> Eligible homeowners are those in areas outside the Capital, Greater Vancouver and Fraser Valley Regional Districts.



## Carbon Pollution Tax

Tax Base

x

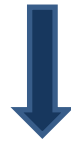
Tax Rate

=

Tax Revenue



Fossil fuels CO<sub>2</sub>-e  
Limited Exemptions



\$10/ton 2008  
\$30/ton 2012



Revenue neutral  
tax reform

Other Policies

**Comprehensive**  
**Simple**  
**Quick**  
**Stable pricing**  
**Effective**

## Carbon Pollution Tax

Tax Base

x

Tax Rate

=

Tax Revenue

**Climate and tax reform**

British Columbia—2008

## Carbon Pollution Tax

Tax Base

x

Tax Rate

=

Tax Revenue

Fiscal crisis

British Columbia—2008

Ireland—2010

## Carbon Pollution Tax

Tax Base

x

Tax Rate

=

Tax Revenue

**Long term commitment**

British Columbia—2008

Ireland—2010

Sweden—1991

## Carbon Pollution Tax

Tax Base

x

Tax Rate

=

Tax Revenue

**Adjustable rate to achieve climate goal**

British Columbia—2008

Ireland—2010

Sweden—1991

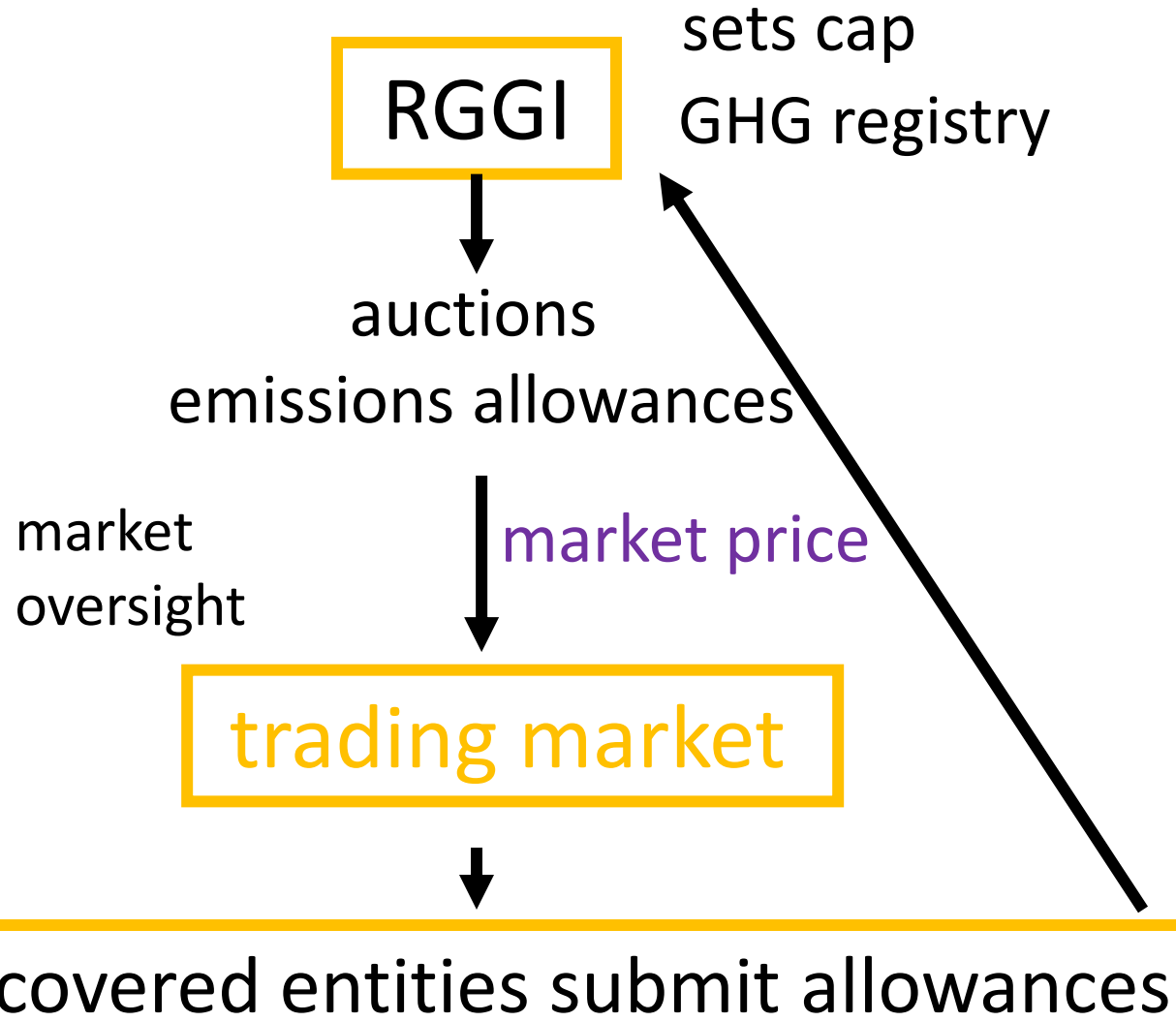
Switzerland—2008

Department of Taxes

set price

Taxpayers





## Carbon Pollution Fee

Tax Base

x

Tax Rate

=

Tax Revenue



Fossil fuels



\$10 phased up



Dividends

H.531

Other bills:

Tax relief

H.528

H.532

H.533



# **Carbon Pollution Taxes**

**Thank you**

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