

**HOUSE . . . . . No. 2532**

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**The Commonwealth of Massachusetts**

PRESENTED BY:

***Thomas P. Conroy and Michael J. 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 adoption of the accompanying bill:

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

PETITION OF:

| NAME:                          | DISTRICT/ADDRESS:                   | DATE ADDED:      |
|--------------------------------|-------------------------------------|------------------|
| <i>Thomas P. Conroy</i>        | <i>13th Middlesex</i>               | <i>1/18/2013</i> |
| <i>Michael J. Barrett</i>      | <i>Third Middlesex</i>              | <i>1/18/2013</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>Fifth 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. Balse</i>           | <i>12th Middlesex</i>               |                  |

**HOUSE . . . . . No. 2532**

By Representative Conroy of Wayland and Senator Barrett, a joint petition (accompanied by bill, House, No. 2532) of Thomas P. Conroy, Michael J. Barrett and others for legislation to impose a tax on certain fuels and dedicate the revenue raised therefrom 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  
7 for fuel that contains carbon and emits carbon dioxide when combusted; provided, however, that  
8 carbon-based fuel shall not include any product used for fuel that is derived from a resource that  
9 is less 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  
12 shall also include diesel motor fuel.

13 “Non-carbon tax”, a tax imposed pursuant to any chapter in the general laws other than  
14 this 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  
17 oil, diesel fuel, kerosene base jet fuel, and number 4, number 5 and number 6 residual oil for  
18 utility and non-utility uses, and all petroleum derivatives, whether in bond or not, which are  
19 commonly burned to produce heat, power, electricity or motion or which are commonly  
20 processed to produce synthetic gas for burning.

21 “Renewable Biomass”, shall have the same meaning as defined in section one of chapter  
22 sixty-four A.

23 “Retail Customer”, a person who purchases carbon-based fuel for his or her own  
24 consumption.

25 “Retail Purchase”, a purchase of carbon-based fuel made by a person for his or her own  
26 consumption.

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

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

## 29 SECTION 2: SUBJECT TO TAXATION

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

## 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  
35 that is sold to retail customers in the commonwealth as follows:

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

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

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

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

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

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

#### 59 SECTION 4: MONTHLY RETURNS AND PAYMENT OF EXCISE

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

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

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

#### 74 SECTION 5: PURCHASER TO BEAR TAX

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

#### 78 SECTION 6: PLANS AND REPORTS RESPECTING THE CARBON TAX

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

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

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

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

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

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

95 (1) the actual carbon tax revenue collected;

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

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

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

#### 104 SECTION 7: ESTABLISHMENT OF A CARBON TAX REVENUE FUND

105 a) There shall be established and set up on the books of the commonwealth a  
106 separate fund to be known as the Carbon Tax Revenue Fund, consisting of amounts transferred  
107 to the fund in accordance with the provisions of section 4(c) and section 8 of this chapter, and  
108 income derived from the investment of amounts so transferred. The purpose of the fund shall be  
109 to maintain a reserve which shall be used only in the manner as provided herein:

110 (1) A decrease in the rate of tax for general corporate income, pursuant to subsection  
111 39(a)(2) of chapter sixty-three, shall be provided, subject to appropriation, for the taxable year  
112 ending on the succeeding December thirty-first to the extent that 80 percent of the amount in the  
113 Carbon Tax Revenue Fund generated by commercial and industrial emitters plus 50 percent of  
114 the amount in the Carbon Tax Revenue Fund generated by retail customers of fuel equals an

115 integer multiple of one-tenth of one percent of the rate of general corporate income taxes which  
116 will not be collected for said taxable year on account of said rate reductions.

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

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

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

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

#### 148 SECTION 8: CARBON TAX REVENUE REQUIREMENTS

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

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

157           SECTION 9: COMMONWEALTH DISBURSEMENTS

158           a)       The treasurer shall disburse the commonwealth revenue pursuant to subsection  
159 8(b) of this chapter according to the following schedule:

- 160           (1)       90% towards one or more of the following needs and measures:
- 161           i.       eliminating the Central Artery/Tunnel debt that resides on the balance sheets of  
162 the Massachusetts Department of Transportation and Massachusetts Bay Transit Authority; or
  - 163           ii.      Preventing an increase in tolls on the Massachusetts Turnpike; or
  - 164           iii.     Massachusetts Bay Transit Authority operating and capital needs to limit fare and  
165 parking increases to no more than 3 percent per year; or
  - 166           iv.     Massachusetts Department of Transportation for road and bridge repair and  
167 maintenance; or
  - 168           v.      Massachusetts association of regional transit authorities

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

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