Washington: Carbon tax push persists despite election results

David M. Kall | Wednesday, December 7, 2016

As we reported in our post-election article, voters resolved various tax-related topics, including what would have been the nation's first carbon tax in Washington. However, due to an especially zealous belief in the cause, this issue has not been put to rest after all.

Ballotpedia explains the controversy over carbon taxes. About 3.8 percent of carbon dioxide, a colorless, odorless, incombustible gas that is vital to life on Earth, is caused by human activities such as agricultural land use and the burning of fossil fuels. Carbon dioxide, along with a few other gasses, like methane, nitrous oxide, hydrofluorocarbons, and perfluorocarbons, are heat trapping greenhouse gasses that have a warming effect on the plant.

Although the basic premise that greenhouse gasses warm the planet is not controversial, scientists do debate the extent and magnitude of this effect. In Washington, supporters of Initiative 732 (I-732) including a group of 50 professors at the University of Washington, expressed deep concern over greenhouse gas emissions.

Another proponent of I-732, the former director of the NASA Goddard Institute for Space Studies, also contended that the warming trend has become dangerous:

> “Global fossil-fuel emissions and global warming are increasing. Climate extremes are becoming more intense: heat waves, droughts and fires on one hand, and more extreme rainfall, floods and storms on the other. However, the greatest threat is to young people who may inherit a climate system running out of their control, with deleterious effects including large sea-level rise and loss of coastal cities…”

On the other hand, opponents, such as the Association of Washington Business, argued that the proposed carbon tax would have increased the price of gas, further straining household budgets, without solving the problem of congested highways and bridges. Nor did it offer new transit options. Beyond this, foes of I-732 reasoned the state's commercial and industrial sectors already emit 18 percent less carbon than they did 26 years ago.

“Climate justice” is another issue for opponents. OneAmerica, whose mission is to advance the fundamental principles of democracy and justice, opined that

> “I-732 is not revenue neutral and dangerously pits climate activism against funding for education and basic human services. Rather than being revenue neutral, I-732 is revenue negative. Recent analyses show that the proposal would cost the state over $914 million over four years in lost revenue. If I-732 were to pass, it would put at risk the State's ability to fund basic human services, to meet a court-ordered mandate to fund basic education, and to fulfill other functions of government. …

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Indeed, this is not much different from the Tax Policy Center's analysis of the impact of a national carbon tax. This inquiry projected that a carbon tax would disproportionately burden low-income consumers, because energy costs constitute a disproportionate share of their household budgets, though this could be offset by offering sales tax breaks or expanding low income tax credit programs.

The Initiative would have imposed a tax on carbon emissions at $15 per metric ton of emissions in July 2017, $25 in July 2018, and then 3.5 percent plus inflation each year until the tax reaches $100 per metric ton. 59 percent of the electorate voted no.

In studying the issue, The Tax Foundation determined that the theoretically revenue neutral approach taken by I-732 was in “uncharted territory,” and an ambitious “experiment with considerable risk,” in terms of revenue projections and its broader economic impact. This comes, in part, from the gamble that more efficient or curtailed consumption, and not the migration of jobs to other states, reduces carbon emissions.

The Alliance for Jobs and Clean Energy (Alliance), which broke with I-732 advocates and opposed the effort, has “taken the first steps toward following up on its promise to develop an alternative carbon tax proposal,” releasing a five-page outline of their own strategy, observed the Tax Foundation in a follow-up piece.

The Tax Foundation observes that the Alliance’s proposal starts out like I-732, by taxing carbon emissions at $15 per metric ton, or about 13.4 cents per gallon of gasoline, which increases over time. However, the remainder of the plan involves different measures, including these, among others:

- The incorporation of a “performance-based escalator,” which would push the tax up for the state’s failure to meet pre-established emissions and energy efficiency goals. Initiative 732 did not take emissions goals into account.
- Dedication of the incoming revenue to environmental initiatives and, to a lesser extent, offsets for low-income earners and businesses transitioning to less carbon-intensive models. I-732 was intended to be revenue-neutral tax-swap, whereby new revenue from the carbon tax would decrease old sources of revenue.
- 70 percent of revenue would go to support clean energy, split between a Carbon Reduction Investment Fund and a Sustainable Investment Fund. 20 percent would be invested in water infrastructure and related conservation efforts, and the remaining 10 percent would be earmarked for forest conservation. Revenue from I-732 would have been used to reduce the sales tax rate by one percentage point over two years, increase a low-income sales tax exemption, and reduce certain manufacturing taxes.
- A minimum of 25 percent of all investments must benefit disproportionately burdened communities, which are defined as communities of color, low-income communities, and workers in the fossil fuel industry. Another 10 percent of investment must flow to projects located within those communities.
- Similarly, lower-income households would receive rebates pegged to the estimated average increase in household costs under the carbon tax regime. A transition fund would provide income, benefits, peer counseling, and job retraining for those whose jobs were displaced by the carbon tax due to facility closures and layoffs.

The bottom line, according to the Tax Foundation, is that the Alliance’s plan “will almost certainly be more regressive than I-732…[a] carbon tax. There is no real dispute on this question.” And although the use of the tax revenue to help low income families could offset the negative effects, this arrangement could become complicated by dedicating some funds to conservation, rendering the ultimate impact “more speculative…less quantifiable, and less immediate than other governmental efforts to assist low income households.”

Recognizing that they have an uphill battle, the Alliance promises to seek a legislative solution, in 2017, and failing that, perhaps another ballot measure in 2018.

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Team member bio