

Carbon Tax & Shift

A carbon tax could reduce distortionary income taxes and provide new revenue opportunities for Oregon by taxing carbon emissions and reducing corporate and personal income tax rates.

NERC used the British Columbia's (BC) carbon tax as the basis for our analysis. The BC carbon tax is designed as a revenue-neutral tax, starting at \$10 per ton of CO₂e in 2008 and increasing by \$5 per ton each year up to its current cap price of \$30 in 2012. The revenues are repatriated back to the economy primarily through corporate and personal income tax reductions, including support for low-income households.

BC Carbon Tax Revenue and Revenue Repatriation (\$ millions)

	Carbon Tax Revenue	Revenue Repatriation	Net Revenue
2008/09 Fiscal Year	\$306	\$313	(\$7)
2009/10 Fiscal Year	\$542	\$767	(\$225)
2010/11 Fiscal Year	\$741	\$865	(\$124)
2011/12 Fiscal Year (forecasted)	\$960	\$1,152	(\$192)
2012/13 Fiscal Year (forecasted)	\$1,172	\$1,275	(\$103)

(Source: BC Ministry of Finance Budget and Fiscal Plans)

Oregon carbon tax revenue impacts			
Maximum Price/Ton CO ₂ e	Total Tax Revenues (Millions)		
	2015	2025	2035
\$30 .00/ton; \$5.00 annual increase	\$788	\$1,155	\$1,101
\$60.00/ton; \$10.00 annual Increase	\$1,173	\$2,157	\$2,023
\$100.00/ton; \$10.00 annual Increase	\$1,173	\$3,255	\$2,976

(NERC estimation)

After estimating dozens of repatriation schemes, NERC arrived at two promising scenarios that produce additional jobs and economic growth, include relief for low-income households, and set aside revenue for targeted reinvestment that offset costs for selected industries and contribute to reaching Oregon's climate goals.

	Effect of varying carbon tax revenue for tax cuts and reinvestment	
Corporate income tax cuts	70%	50%
Personal income tax cuts	20%	25%
Reinvestment	10%	25%
Total employment effect	2,787 jobs	1,231 jobs
Total labor income effect	\$121 million	\$47 million

(NERC calculation)

The experience in BC and NERC's estimations suggest that it is possible to reduce carbon emissions while helping the economy. The method for repatriating tax revenues is key to the success of the program. View the full report at www.pdx.edu/nerc/carbontax2013.pdf.



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