

DRAFT

SUMMARY

Imposes tax on each fuel supplier and utility based on amount of carbon in carbon-based fuel that is sold by fuel supplier to consumers in this state or that is used to produce carbon-generated electricity supplied by utility to consumers in this state.

Deposits moneys from tax revenues into suspense account for distribution to programs related to utility and housing assistance for low-income households, supporting carbon mitigation efforts and funding public roadway improvements.

Applies to carbon-based fuel sold to consumers or used to produce carbon-generated electricity on or after effective date of Act.

Takes effect on 91st day following adjournment sine die.

A BILL FOR AN ACT

1
2 Relating to carbon-based fuel; prescribing an effective date; and providing for
3 revenue raising that requires approval by a three-fifths majority.

4 **Be It Enacted by the People of the State of Oregon:**

SECTION 1. As used in sections 1 to 5 of this 2015 Act:

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6 (1) **“Carbon-based fuel” means coal, natural gas, petroleum pro-**
7 **ducts and any other product used for fuel that contains carbon and**
8 **emits carbon dioxide when combusted. “Carbon-based fuel” does not**
9 **include any product used for fuel that is derived from a resource that**
10 **is less than 1,000 years old in its natural state.**

11 (2) **“Carbon-based fuel group” means a group of carbon-based fuels**
12 **that contain similar levels of carbon.**

13 (3) **“Carbon-generated electricity” means electric energy that is**
14 **produced by using a carbon-based fuel. “Carbon-generated electricity”**
15 **does not include electric energy produced by using a fuel that is de-**

1 rived from a resource that is less than 1,000 years old in its natural
2 state.

3 (4) “Fuel supplier” means a person that sells carbon-based fuel to
4 consumers.

5 (5) “Utility” means a public utility operating under ORS chapter
6 757, a people’s utility district operating under ORS chapter 261, a mu-
7 nicipal utility operating under ORS chapter 225 or any other entity
8 that supplies carbon-generated electricity to consumers.

9 **SECTION 2. (1)(a)** A tax is imposed on carbon-based fuel, to be paid
10 by each fuel supplier and utility, at a rate of \$10 per ton of carbon in
11 a carbon-based fuel that is:

12 (A) Sold by a fuel supplier to consumers in this state; or

13 (B) Used to produce carbon-generated electricity that is supplied by
14 a utility to consumers in this state.

15 (b) The rate of taxation established by subsection (1) of this section
16 shall increase annually at a rate of \$10 per ton of carbon until the rate
17 reaches \$60 per ton of carbon, after which the rate shall be adjusted
18 for inflation annually.

19 (2) Notwithstanding subsection (1) of this section, the amount of tax
20 imposed on oil or natural gas under this section may not exceed six
21 percent of the market value of oil or natural gas that is described in
22 Article IX, section 3b, of the Oregon Constitution. If the total of all
23 taxes imposed by all laws on oil or natural gas described in Article IX,
24 section 3b, of the Oregon Constitution, exceeds six percent of the
25 market value of the oil or natural gas, the amount that is in excess
26 of six percent because of taxes imposed by the laws of this state, other
27 than the tax imposed by this section, shall be refunded to the taxpay-
28 ers.

29 (3) The Department of Revenue shall calculate the tax liability of
30 a fuel supplier or utility by multiplying the rate designated in sub-
31 section (1) of this section by the total amount of carbon in all

1 **carbon-based fuel groups that was:**

2 **(a) Sold by the fuel supplier to consumers in this state in the pre-**
3 **vious calendar year; or**

4 **(b) Used to produce carbon-generated electricity supplied by the**
5 **utility to consumers in this state in the previous calendar year.**

6 **(4)(a) If a utility is unable to provide the information required for**
7 **the calculation under subsection (3) of this section, the Department**
8 **of Revenue shall calculate the utility's tax liability by multiplying the**
9 **rate designated in subsection (1) of this section by the product of the**
10 **average amount of carbon used in the generation of one kilowatt of**
11 **electricity supplied by the utility and the total number of kilowatts**
12 **of electricity supplied by the utility to consumers in this state.**

13 **(b) The State Department of Energy shall calculate the average**
14 **amount of carbon used in the generation of one kilowatt of electricity**
15 **supplied by the utility, based on the Department of Energy's estimate**
16 **of the carbon contributed by each carbon-based fuel group and the**
17 **total amount of carbon produced in the generation of the electricity.**
18 **Each year, the State Department of Energy shall recalculate and re-**
19 **port to the Department of Revenue the average amount of carbon used**
20 **in the generation of one kilowatt of electricity supplied by the utility**
21 **to take into account any changes in the ratio of carbon-based fuel**
22 **groups used in the generation of the electricity.**

23 **(5) The Department of Revenue and the State Department of Energy**
24 **may adopt any rules necessary for the calculation and collection of the**
25 **tax imposed under this section.**

26 **(6) The tax imposed under this section does not apply to:**

27 **(a) Carbon-based fuel or carbon-generated electricity that the State**
28 **of Oregon is prohibited from taxing under the Constitution or laws of**
29 **the United States or the Constitution or laws of the State of Oregon.**

30 **(b) Any fuel supplier or utility that is administered by a federal**
31 **agency.**

1 (c) Any carbon-based fuel or carbon-generated electricity that is
2 transported through this state but not consumed in this state.

3 **SECTION 3.** (1) All moneys that are received by the Department of
4 Revenue from the tax imposed under section 2 of this 2015 Act that is
5 due to the sale of motor vehicle fuel or any other product used for the
6 propulsion of motor vehicles, other than electric vehicles, shall be
7 used in the manner described in Article IX, section 3a, of the Oregon
8 Constitution, for the purposes of:

9 (a) Increasing the use of solar and electric energy on public high-
10 ways, roads, streets and roadside rest areas;

11 (b) Funding installation, maintenance and operation of electric ve-
12 hicle charging stations along public highways, roads, streets and
13 roadside rest areas; and

14 (c) Improving public highways, roads and streets by increasing the
15 number of bicycle lanes and bus lanes throughout this state.

16 (2) All moneys received by the Department of Revenue from the tax
17 imposed under section 2 of this 2015 Act that are not received as de-
18 scribed in subsection (1) of this section shall be deposited in a suspense
19 account. Moneys in that account shall be distributed as follows:

20 (a) 35 percent to be deposited in the General Housing Account es-
21 tablished under ORS 458.620 to be used for the purpose of expanding
22 the supply of low- and very low-income housing throughout this state;

23 (b) 15 percent to be deposited in the Housing and Community Ser-
24 vices Department Low-Income Electric Bill Payment Assistance Fund
25 to be used for the purpose of increasing funding for low income bill
26 payment and crisis assistance under ORS 757.612 (7); and

27 (c) 50 percent to the Department of Energy to be used for the pur-
28 pose of supporting carbon mitigation programs, creating jobs and
29 providing job training related to renewable energy, energy efficiency
30 and transit investments.

31 **SECTION 4.** Unless the context requires otherwise, the provisions

1 of ORS chapters 305, 314 and 316 that relate to the audit and exam-
2 ination of reports and returns, confidentiality and disclosure of reports
3 and returns, determination of deficiencies, assessments, claims for
4 refunds, penalties, interest, jeopardy assessments, warrants, confer-
5 ences and appeals to the Oregon Tax Court, and related procedures,
6 apply to sections 1 to 5 of this 2015 Act, the same as if the tax were a
7 tax imposed upon or measured by net income.

8 SECTION 5. For the purpose of first calculating the tax imposed
9 under section 2 of this 2015 Act, the State Department of Energy shall
10 determine the percentage of carbon in each carbon-based fuel group
11 and report those percentages to the Department of Revenue.

12 SECTION 6. Sections 1 to 5 of this 2015 Act apply to carbon-based
13 fuel sold to consumers or used to produce carbon-generated electricity
14 on or after the effective date of this 2015 Act.

15 SECTION 7. This 2015 Act takes effect on the 91st day after the date
16 on which the 2015 regular session of the Seventy-eighth Legislative
17 Assembly adjourns sine die.

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