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STATE OF RHODE ISLAND

IN GENERAL ASSEMBLY

JANUARY SESSION, A.D. 2015

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A N A C T

RELATING TO TAXATION -- CARBON PRICING AND ECONOMIC DEVELOPMENT  
INVESTMENT ACT OF 2015

Introduced By: Senators Felag, Miller, Goldin, Sosnowski, and Goodwin

Date Introduced: February 25, 2015

Referred To: Senate Finance

It is enacted by the General Assembly as follows:

1 SECTION 1. Title 44 of the General Laws entitled "TAXATION" is hereby amended by  
2 adding thereto the following chapter:

3 CHAPTER 70

4 CARBON PRICING AND REBATE

5 **44-70-1. Short title.** -- This chapter shall be known as the "Carbon Pricing and Economic  
6 Development Investment Act of 2015."

7 **44-70-2. Definitions.** -- The following terms shall have the following meanings for the  
8 purposes of this chapter:

9 (1) "Fossil Fuel" means coal, natural gas, and any petroleum product, which is entered  
10 into the state for the purpose of burning to provide mechanical or thermal energy. Fossil fuels do  
11 not include renewable biomass or waste vegetable oil biodiesel.

12 (2) "Carbon dioxide equivalent" ("CO<sub>2</sub>e") means a unit of measure denoting the  
13 equivalent mass of carbon dioxide that produces the same amount of global warming impact as a  
14 certain mass of any greenhouse gas.

15 (3) "Carbon price" means the excise tax imposed by this chapter.

16 (4) "Clean energy fund" means the fund established under this chapter.

17 (5) "Resident" shall have the same meaning as defined in § 31-1-18(b).

18 (6) "Employer" means any legal person, state agency, or local government body who has

1 employees working in the state.

2 (7) "Petroleum product" means propane, gasoline, unleaded gasoline, kerosene, number 2  
3 heating oil, diesel fuel, kerosene base jet fuel, and number 4, number 5 and number 6 residual oil  
4 for utility and non-utility uses, and all petroleum derivatives, whether in bond or not, which are  
5 commonly burned to produce heat, power, electricity or motion or which are commonly  
6 processed to produce synthetic gas for burning.

7 **44-70-3. Carbon pricing.** – (a) An excise tax shall be collected on the first point of entry  
8 within the state of all fossil fuels, at the rate specified in subsection (b) of this section.

9 (b) The rate in 2016 shall be fifteen dollars (\$15.00) per ton of CO<sub>2</sub>e that would be  
10 released by burning the fuel sold. The rate in every future calendar year shall be the rate in the  
11 previous calendar year plus five (5) real 2015 dollars, as calculated before the beginning of each  
12 calendar year.

13 (c) The director of revenue shall calculate and publish the rate in current dollars for each  
14 year, by January 1 of each year.

15 (d) In sales where greenhouse gas emissions from the relevant fossil fuels are to be  
16 permanently sequestered and not released into the atmosphere, charges on the relevant fossil fuels  
17 shall be reduced in proportion to the amount of CO<sub>2</sub>e that is to be sequestered. The office of  
18 energy resources shall ensure that in such cases, the emissions are actually sequestered and not  
19 released into the atmosphere.

20 (e) Fees shall also be collected, at the same rate specified in subsection (b) of this section,  
21 on the release of methane or other greenhouse gases due to the transport or usage of fossil fuels,  
22 or due to any industrial process. The office of energy resources shall study such non-combustion  
23 releases of greenhouse gases and adopt rules relating to which entities are liable for fees under  
24 this subsection. The office of energy resources shall also estimate the average amount of CO<sub>2</sub>e  
25 released in the form of escaped methane due to the extraction or transportation of natural gas  
26 before natural gas enters Rhode Island, and shall add an additional charge to the carbon price on  
27 the first point of entry within the state of all natural gas, based on the rate specified in subsection  
28 (b) of this section.

29 (f) The department of revenue and office of energy resources, in consultation as  
30 necessary with other state departments and offices, shall adopt any rules and practices necessary  
31 and expedient to carry out this section, in accordance with chapter 35 of title 42.

32 **44-70-4. Clean energy fund.** – (a) There is hereby created a restricted receipt account in  
33 the general fund to be known as the clean energy fund. Unexpended balances remaining in the  
34 clean energy fund shall not be subject to the ten percent (10%) charge. Unexpended balances and

1 any earnings thereon shall not revert to the general fund but shall remain solely in the clean  
2 energy fund. The clean energy fund shall be used solely to carry out the provisions of this  
3 chapter, and to help residents and employers transition to cleaner energy options and mitigate any  
4 potential economic harm from the carbon price imposed by this chapter.

5 (b) All charges collected under § 44-70-3 shall be deposited in the clean energy fund.

6 (c) Proceeds from the clean energy fund may only be used for the purposes described in §  
7 44-70-5. Proceeds shall be available for the purposes described in § 44-70-5 without  
8 appropriation.

9 **44-70-5. Clean energy fund uses.** – (a) The department of revenue may use funds from  
10 the clean energy fund for any of the following options:

11 (1) Giving direct dividends to residents and employers of the state, which may be  
12 administered monthly or annually, at the director of revenue's discretion, based on administrative  
13 feasibility and the needs of residents and employers;

14 (2) Paying for administrative costs associated with collecting the charges, administering  
15 the clean energy fund, and carrying out the other responsibilities assigned to the office of energy  
16 resources and department of revenue under this chapter, provided that no more than five percent  
17 (5%) of the proceeds in any year may be used for such costs;

18 (3) Coordinating and investing in development research, demonstration, and early  
19 commercialization (including the building of testing and demonstration plants, facilities, and  
20 products) of: energy storage technologies; wind or solar technologies that are judged to have the  
21 potential to reduce the cost of wind or solar electricity by at least fifty percent (50%); and/or other  
22 projects that are deemed to be potentially revolutionary breakthroughs in clean energy  
23 technology;

24 (4) Funding programs to assist the installation of wind, solar, energy storage, energy  
25 efficiency, or other clean energy technologies at homes or other private or public properties,  
26 including offshore, and especially in low-income residences;

27 (5) Contributing funding to a green bank in the state; or

28 (6) Investing in public transportation systems.

29 (b) One hundred percent (100%) of the proceeds into the clean energy fund each year  
30 must be returned to the state economy through one of the six (6) options in subsection (a) of this  
31 section.

32 (c) The director of revenue shall publish a document by December 31 of each year  
33 showing the exact expenditures from the clean energy fund in the past year.

34 **44-70-6. Preliminary dividends.** – (a) To avoid financial harm to households and

1 businesses due to the carbon price, no later than December 20, 2015, the department of revenue  
2 shall send a "clean energy check" to every resident, equal for every person, in the amount that the  
3 director of revenue estimates the average resident will pay in increased costs due to the carbon  
4 price in the first two (2) months of 2016, and to every employer in an amount proportional to  
5 each employer's share, in full-time equivalent employees, of total state employment, with  
6 employers as a whole receiving a total amount equal to the amount that the director of revenue  
7 estimates that employers as a whole will pay in increased costs due to the carbon price in the first  
8 two (2) months of 2016. The department of revenue shall have the authority to issue bonds to  
9 fund these pre-emptive dividends.

10 SECTION 2. This act shall take effect on January 1, 2016.

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EXPLANATION  
BY THE LEGISLATIVE COUNCIL  
OF

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RELATING TO TAXATION -- CARBON PRICING AND ECONOMIC DEVELOPMENT  
INVESTMENT ACT OF 2015

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- 1           This act would impose an excise tax on all fossil fuels entering the state for the purpose
- 2 of funding a "clean energy fund."
- 3           This act would take effect on January 1, 2016.

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