

**Introduced by Senator Steinberg**February 20, 2014

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An act to add Part 9 (commencing with Section 15000) to Division 2 of the Revenue and Taxation Code, relating to taxation, to take effect immediately, tax levy.

## LEGISLATIVE COUNSEL'S DIGEST

SB 1156, as introduced, Steinberg. California Carbon Tax Law of 2014.

The California Global Warming Solutions Act of 2006 designates the State Air Resources Board as the state agency charged with monitoring and regulating sources of emissions of greenhouse gases. The state board is required to adopt a statewide greenhouse gas emissions limit equivalent to the statewide greenhouse gas emissions level in 1990 to be achieved by 2020, and to adopt rules and regulations in an open public process to achieve the maximum, technologically feasible, and cost-effective greenhouse gas emission reductions. The act authorizes the state board to include the use of market-based compliance mechanisms.

This bill, effective January 1, 2015, would impose a carbon tax of an unspecified amount per ton of carbon-dioxide-equivalent emissions on suppliers of fossil fuels. The bill would require the State Board of Equalization to administer and implement the carbon tax, and would require revenues from the tax to be deposited in the Carbon Tax Revenue Special Fund in the State Treasury. The bill would exempt suppliers of fossil fuels subject to the tax from regulations imposed by the State Air Resources Board under the California Global Warming Solutions Act of 2006 relative to the compliance obligation in the second compliance period under which suppliers of specified fuels are required to obtain

allowances for carbon-dioxide-equivalent emissions under the cap-and-trade program adopted by the State Air Resources Board. The bill would state the intent of the Legislature that revenues from the carbon tax be rebated to taxpayers, particularly low- and medium-income taxpayers, of other taxes, and for implementation of the carbon tax to be revenue neutral.

This bill would include a change in state statute that would result in a taxpayer paying a higher tax within the meaning of Section 3 of Article XIII A of the California Constitution, and thus would require for passage, the approval of  $\frac{2}{3}$  of the membership of each house of the Legislature.

The bill would take effect immediately as a tax levy.

Vote:  $\frac{2}{3}$ . Appropriation: no. Fiscal committee: yes.  
State-mandated local program: no.

*The people of the State of California do enact as follows:*

- 1 SECTION 1. The Legislature finds and declares all of the  
2 following:
- 3 (a) Global warming poses a serious threat to the economic  
4 well-being, public health, natural resources, and environment of  
5 California. The adverse impacts of global warming include the  
6 exacerbation of air quality problems, drought, fires, and an increase  
7 in the incidences of infectious diseases, asthma, and other human  
8 health-related problems.
- 9 (b) Global warming will have detrimental effects on some of  
10 California's key industries, including agriculture, wine, tourism,  
11 skiing, recreational and commercial fishing, and forestry. It will  
12 also place a strain on water supplies and electricity generation  
13 capacity throughout the state.
- 14 (c) California has long been a national and international leader  
15 on energy conservation efforts through energy efficiency  
16 requirements, renewable energy standards, natural resource  
17 conservation, and greenhouse gas emission standards for passenger  
18 vehicles.
- 19 (d) The landmark California Global Warming Solutions Act of  
20 2006 (AB 32) set the goal of reducing greenhouse gas emissions  
21 to 1990 levels by 2020. AB 32 required the State Air Resources  
22 Board to develop a scoping plan, including direct regulations,

1 performance-based standards, and market-based mechanisms to  
2 achieve this level of greenhouse gas emission reductions.

3 (e) The State Air Resources Board has implemented a  
4 cap-and-trade program under the general authority granted under  
5 AB 32 to implement market-based mechanisms. The cap-and-trade  
6 program is expected to make an important contribution to the  
7 achievement of the 2020 greenhouse gas emissions target.

8 (f) It is now appropriate to begin to develop and implement a  
9 climate policy extending beyond 2020. California would benefit  
10 from a balanced greenhouse gas emissions reduction policy  
11 extending beyond 2020 that minimizes business and social  
12 compliance costs.

13 (g) The prices of fossil fuels in California’s energy markets  
14 presently do not reflect the true cost to society of the combustion  
15 of hydrocarbon fuels and the release of carbon dioxide into the  
16 environment.

17 (h) A carbon tax would complement California’s existing climate  
18 policy of direct regulation and cap-and-trade market-based  
19 mechanisms. A carbon tax would establish clear and consistent  
20 price signals to the energy markets about the social cost of carbon  
21 emissions while generating tax revenue that could be used to offset  
22 regressive taxes that hinder economic growth and promote  
23 sustainable economic growth and investment in clean energy  
24 technologies.

25 SEC. 2. Part 9 (commencing with Section 15000) is added to  
26 Division 2 of the Revenue and Taxation Code, to read:

27  
28 **PART 9. CARBON TAX**  
29

30 15000. This act shall be known and may be cited as the  
31 California Carbon Tax Law of 2014.

32 15001. Effective January 1, 2015, a carbon tax of \_\_\_\_ dollars  
33 (\$\_\_\_\_) per ton of carbon-dioxide-equivalent emissions shall be  
34 levied in this state. The tax shall be imposed on suppliers of fossil  
35 fuels.

36 15002. The state board shall prescribe procedures for the  
37 licensing of suppliers, forms, returns, payments, bonding  
38 requirements, collections, and other provisions related to the  
39 implementation and administration of the tax.

1 15003. Suppliers of fossil fuels subject to the tax shall be  
2 exempt from the compliance obligation for covered entities in the  
3 second compliance period mandated by the State Air Resources  
4 Board under Section 95851 of Title 17 of the California Code of  
5 Regulations, effective January 1, 2015, under which suppliers of  
6 specified fuels are required to obtain allowances for  
7 carbon-dioxide-equivalent emissions as covered entities under the  
8 cap-and-trade program administered by the State Air Resources  
9 Board.

10 15004. The Carbon Tax Revenue Special Fund is hereby  
11 established in the State Treasury. Revenue collected by the state  
12 board pursuant this part shall be deposited in the fund.

13 15005. It is the intent of the Legislature that revenues collected  
14 under this part be rebated to taxpayers, particularly low- and  
15 medium-income taxpayers, of other taxes imposed under this code.  
16 In that regard, implementation of the carbon tax is intended to be  
17 revenue neutral.

18 SEC. 3. This act provides for a tax levy within the meaning of  
19 Article IV of the Constitution and shall go into immediate effect.