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## A BILL FOR AN ACT

RELATING TO A CARBON TAX.

**BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:**

1           SECTION 1. The legislature finds that climate change is  
2 occurring as a result of human activity, particularly the  
3 burning of fossil fuels and concomitant release of carbon  
4 dioxide. Continued burning of fossil fuels can cause  
5 irreparable harm to the State and the planet. Thirty-four per  
6 cent of Hawaii's coastlines are vulnerable to intensifying  
7 coastal hazards resulting from accelerating sea level rise,  
8 according to a study performed by researchers at the University  
9 of Hawaii.

10           The legislature further finds that in response to the  
11 growing threat of climate change, the State has set standards  
12 and launched initiatives to expand sustainable and efficient  
13 energy reliance, including setting a statewide benchmark of  
14 generating one hundred per cent of electricity through renewable  
15 resources by 2045.



1           The purpose of this Act is to disincentivize carbon dioxide  
2 emissions, increase renewable energy reliance, and address the  
3 risk of climate change by establishing a carbon tax.

4           SECTION 2. Chapter 243, Hawaii Revised Statutes, is  
5 amended by adding a new part to be appropriately designated and  
6 to read as follows:

7                               **"PART           .    CARBON TAX LAW**

8           **§243-A Definitions.** As used in this part, unless the  
9 context clearly indicates otherwise:

10           "Fossil fuel" means a hydrocarbon deposit, such as  
11 petroleum, coal, natural gas, or liquefied natural gas, derived  
12 from the accumulated remains of ancient plants or animals and  
13 used for fuel or any petroleum product.

14           **§243-B Carbon tax; uses.** (a) In addition to any other  
15 taxes provided by law, subject to the exemptions set forth in  
16 section 243-7, there is hereby imposed a carbon tax on each ton  
17 of carbon dioxide emitted from the use of a fossil fuel by a  
18 distributor. The tax shall be as follows:

19           (1) \$20 per ton of carbon dioxide emitted beginning  
20                January 1, 2020;



1 (2) \$25 per ton of carbon dioxide emitted beginning  
2 January 1, 2022;

3 (3) \$30 per ton of carbon dioxide emitted beginning  
4 January 1, 2024;

5 (4) \$35 per ton of carbon dioxide emitted beginning  
6 January 1, 2026;

7 (5) \$40 per ton of carbon dioxide emitted beginning  
8 January 1, 2028;

9 (6) \$45 per ton of carbon dioxide emitted beginning  
10 January 1, 2030;

11 (7) \$50 per ton of carbon dioxide emitted beginning  
12 January 1, 2032; and

13 (8) \$55 per ton of carbon dioxide emitted beginning  
14 January 1, 2034, and for every year thereafter.

15 The tax imposed by this subsection shall be paid by every  
16 distributor that emits carbon dioxide.

17 (b) Each distributor subject to the tax imposed by  
18 subsection (a), on or before the last day of each calendar  
19 month, shall file with the director, on forms prescribed,  
20 prepared, and furnished by the director, a return statement of  
21 the tax under this section for which the distributor is liable



1 for the preceding month. The form and payment of the tax shall  
2 be transmitted to the department of taxation in the appropriate  
3 district.

4 (c) Notwithstanding section 248-8 to the contrary;

5 (1) Twenty-five per cent of the carbon tax collected under  
6 this section shall be paid over to the director of  
7 finance for deposit into the environmental response  
8 revolving fund established under section 128D-2;

9 (2) Twenty-five per cent of the carbon tax collected under  
10 this section shall be paid over to the director of  
11 finance for deposit into the energy security special  
12 fund established under section 201-12.8; and

13 (3) Fifty per cent of the carbon tax collected under this  
14 section shall be refunded in an equal amount to every  
15 taxpayer who files an income tax return with the  
16 department of taxation.

17 (d) Every distributor shall keep in the State and preserve  
18 for five years a record in a form as the department of taxation  
19 shall prescribe showing the total amount of carbon dioxide  
20 emitted and taxes paid. The record shall show any other data



1 and figures relevant to the enforcement and administration of  
2 this part as the department may require.

3       **§243-C Carbon rating.** The department of business,  
4 economic development, and tourism shall adopt rules specifying  
5 the basis for a carbon calculation on the emissions of carbon  
6 dioxide inherent in or associated with fossil fuels.

7       **§243-D Rules.** The director of taxation shall adopt rules  
8 pursuant to chapter 91 to effectuate the provisions of this  
9 section, including rules for the calculation and disbursement of  
10 taxpayer refunds pursuant to section 243-B(c)(3)."

11       SECTION 3. Chapter 243, Hawaii Revised Statutes, is  
12 amended by designating sections 243-1 through 243-16 as part I  
13 and inserting a title before section 243-1 to read as follows:

14                               "PART I. GENERAL PROVISIONS"

15       SECTION 4. Section 128D-2, Hawaii Revised Statutes, is  
16 amended by amending subsection (a) to read as follows:

17       "(a) There is created within the state treasury an  
18 environmental response revolving fund, which shall consist of  
19 moneys appropriated to the fund by the legislature, moneys paid  
20 to the fund as a result of departmental compliance proceedings,  
21 moneys paid to the fund pursuant to court-ordered awards or



1 judgments, moneys paid to the fund in court-approved or out-of-  
2 court settlements, all interest attributable to investment of  
3 money deposited in the fund, moneys deposited in the fund from  
4 the environmental response, energy, and food security tax  
5 pursuant to section 243-3.5, moneys deposited in the fund from  
6 the carbon tax pursuant to section 243-B, and moneys allotted to  
7 the fund from other sources."

8 SECTION 5. Section 201-12.8, Hawaii Revised Statutes, is  
9 amended by amending subsection (a) to read as follows:

10 "(a) There is created within the state treasury an energy  
11 security special fund, which shall consist of:

12 (1) The portion of the environmental response, energy, and  
13 food security tax specified under section 243-3.5;

14 (2) The portion of the carbon tax specified under section  
15 243-B;

16 [~~2~~] (3) Moneys appropriated to the fund by the  
17 legislature;

18 [~~3~~] (4) All interest attributable to investment of money  
19 deposited in the fund; and

20 [~~4~~] (5) Moneys allotted to the fund from other sources,  
21 including under section 196-6.5."



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1 SECTION 6. In codifying the new sections added by section  
2 2 of this Act, the revisor of statutes shall substitute  
3 appropriate section numbers for the letters used in designating  
4 the new sections in this Act.

5 SECTION 7. Statutory material to be repealed is bracketed  
6 and stricken. New statutory material is underscored.

7 SECTION 8. This Act shall take effect on July 1, 2019.

8

INTRODUCED BY:

JAN 24 2019



# H.B. NO. 1287

**Report Title:**

Carbon Dioxide Emissions; Carbon Tax; Special Fund

**Description:**

Imposes a carbon tax for every ton of carbon dioxide emitted by distributors because of fossil fuels. Deposits 25% of the carbon tax collected into the Environmental Response Revolving Fund and 25% into the Energy Security Special Fund. Refunds 50% of the carbon tax amounts collected to taxpayers.

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