

Solutions for a clean energy economy in Washington State

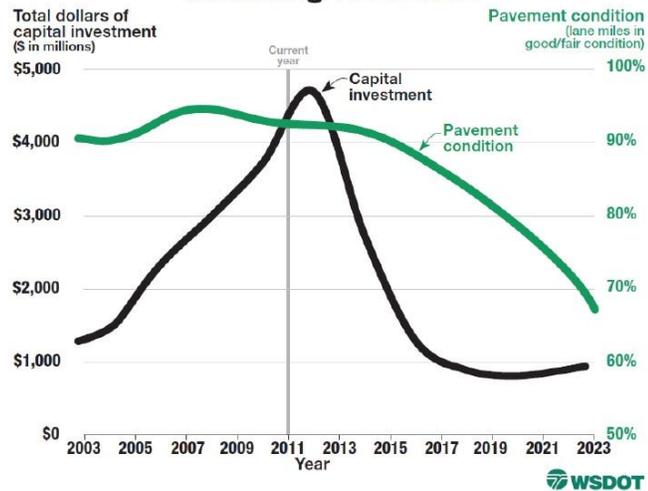
Sept 7, 2012

This document suggests three steps to help grow Washington's economy. The first step is **tax reform** to make the state more attractive to businesses and individuals: eliminate the B&O tax for manufacturing, extend the high-tech R&D tax credit scheduled to expire in 2015, and reduce property taxes across the board.

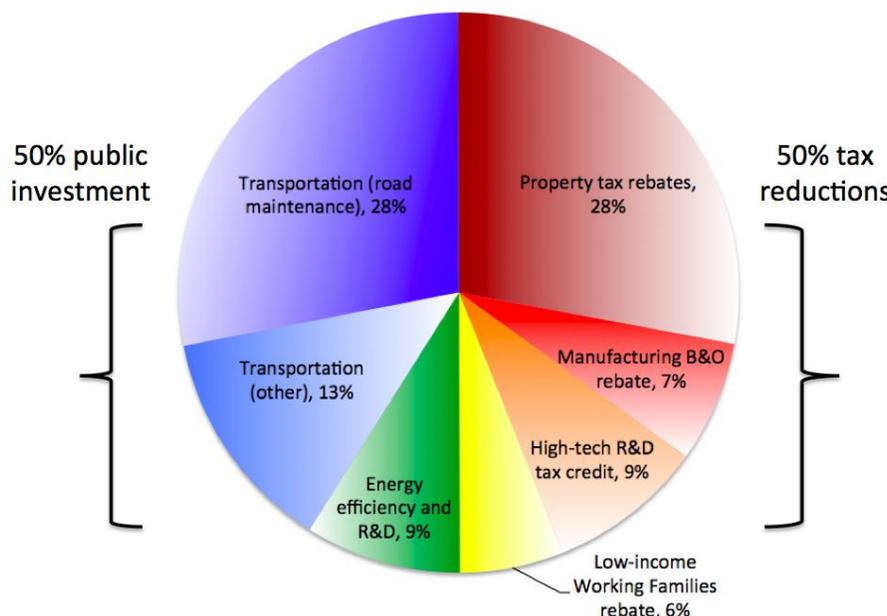
Second, we need to invest in **transportation infrastructure**. The [Connecting Washington Task Force](#) January 2012 [report](#) called for "\$21 billion in state funding during the next ten years", with almost \$8 billion just for [maintenance](#) of existing infrastructure.

Finally, we need a **carbon tax** to provide funding and to encourage sustainable economic development. Some of these funds can also help boost energy efficiency and offset impacts on low-income households.

Transportation system at risk with declining revenues



The back of this document details how a proposal inspired by the [successful carbon tax in B.C.](#) could accomplish all three of these steps. The proposal totals \$2.3 billion/year and is 50% public investment, 50% tax cuts:



Policy outline

Carbon tax rate: A tax of \$30 per metric ton of CO₂ on all fossil fuels purchased for combustion in the state and (if feasible) the carbon content of imported electricity. This tax would amount to about \$0.30/gallon of gasoline or diesel; about \$0.03/kWh of electricity from coal; and about \$0.015/kWh of electricity from natural gas.

Climate benefit: Fossil fuel combustion accounts for about 85% of the 100 million metric tons of annual greenhouse gas emissions in [Washington](#). Major sources include on-road gasoline (28%), other transportation (25%), electricity from coal (18%) and natural gas (5%), and Residential/Commercial/Industrial use of gas (13%) and oil (11%).

Revenue generation: Assuming a 10% reduction in emissions, a tax of \$30/ton CO₂ would initially generate as much as \$2.3 billion per year in Washington.

Revenue allocation for \$2.3 billion per year: 50% tax cuts, 50% public investment

\$650m/year for road maintenance. Carbon taxes from motor gasoline would be dedicated to road maintenance.

\$300m/year for other transportation projects. This funding could be used for freight mobility and/or to restore funding for public transportation. The governor's [Connecting Washington Task Force](#) released a [report](#) in January 2012 calling for "an investment of \$21 billion in state funding during the next ten years", with almost \$8 billion just for maintenance and operations of existing infrastructure. The graph on p1 is from [here](#).

\$200m/year for energy efficiency and clean energy. This could include energy efficiency efforts and clean energy R&D at state universities.

\$650m/year in property tax rebates. Property taxes in the state total about \$8 billion/year, with about [\\$1.9b/year](#) of these being state property taxes. (About 40% of property taxes [fall on businesses](#).) These tax rebates would perhaps be tied to property owners demonstrating that they've had an energy audit in the previous 5 years.

\$160m/year to rebate or eliminate all state B&O taxes for manufacturers. This will help manufacturers adapt to carbon taxes and maintain competitiveness.

\$200m/year to extend [high-tech R&D tax credits](#). These are slated to expire in 2015.

\$140m/year for the [Working Families Rebate](#). Created by the state in 2008 but never funded, this program is a "sales tax rebate" modeled after state Earned Income Tax Credit programs that exist in [22 other states](#). Based on the federal EITC, a 20% bump-up would provide up to \$1000 a year for about 400,000 low-income working households.