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SENATE BILL DRS45384-MCxf-9

Short Title: Carbon Tax.

(Public)

Sponsors: Senator Nickel (Primary Sponsor).

Referred to:

1 A BILL TO BE ENTITLED
2 AN ACT TO IMPOSE A CARBON EMISSIONS TAX.
3 The General Assembly of North Carolina enacts:
4 **SECTION 1.** Subchapter I of Chapter 105 of the General Statutes is amended by
5 adding a new Article to read:

6 "Article 2E.

7 "Carbon Emissions Tax.

8 **"§ 105-113.120. Carbon emissions tax.**

9 (a) Scope. – The taxes imposed by this Article shall be collected only once on the same
10 carbon-based fuel product.

11 (b) Administration. – Except as otherwise provided, Article 9 of this Chapter applies to
12 this Article.

13 (c) Definitions. – The following definitions apply in this Article:

14 (1) Carbon-based fuel product. – Coal, a petroleum product, natural gas, or
15 electricity produced from such fuels.

16 (2) Carbon dioxide equivalent. – The amount of carbon dioxide by mass that
17 would produce the same global warming impact as a given mass of another
18 greenhouse gas over an integrated 20-year time frame after emission, based
19 on the best available science.

20 (3) Department. – The Department of Revenue.

21 (4) Distributor. – The vendor of a carbon-based fuel, at the first point of sale
22 within the State.

23 (5) Greenhouse gas. – Carbon dioxide, methane, nitrous oxide,
24 hydrofluorocarbons, perfluorocarbons, sulfur hexafluoride, and any other
25 substance emitted into the air that may be reasonably anticipated to cause or
26 contribute to anthropogenic climate change.

27 (6) Petroleum product. – All petroleum derivatives, whether in bond or not, which
28 are commonly burned to produce heat, electricity, or motion, or which are
29 commonly processed to produce synthetic gas for burning, including propane,
30 gasoline, unleaded gasoline, kerosene, heating oil, diesel fuel, kerosene-based
31 jet fuel, and number 4, number 5, and residual oil for utility and nonutility
32 uses, but not including petroleum feedstocks to plastics production or other
33 manufacturing.

34 (7) Sale. – A transfer, a trade, an exchange, or a barter, in any manner or by any
35 means, with or without consideration.

36 (8) Secretary. – The Secretary of Revenue.



1 (9) Use. – The exercise of any right or power over carbon-based fuel products,
2 incident to the ownership or possession thereof, other than the making of a
3 sale thereof in the course of engaging in a business of selling carbon-based
4 fuel products. The term includes the keeping or retention of carbon-based fuel
5 products for use.

6 (d) Tax. – Every distributor shall pay a tax on any carbon-based fuel product sold, used,
7 or entered into the State by the distributor for purposes of distribution or use within the State. For
8 the 2022 calendar year, the amount of the tax shall be twenty dollars (\$20.00) per metric ton of
9 carbon dioxide equivalent that would be emitted through the combustion of a carbon-based fuel
10 product. For calendar years after 2022 until the amount of tax reaches fifty dollars (\$50.00) per
11 metric ton of carbon dioxide equivalent, the amount of the tax per metric ton shall be the amount
12 in effect for the preceding calendar year plus five dollars (\$5.00) and adjusted by the same
13 percentage as the percent inflation used by the United States Bureau of Labor Statistics Consumer
14 Price Index; thereafter, the adjustment of the amount shall include only the inflation percentage
15 authorized in this subsection. A distributor shall pay the amount of the tax established under this
16 Article by the end of each calendar quarter.

17 (e) Publications. – The Department shall annually calculate and publish by October 1
18 each of the following:

19 (1) In conjunction with the Department of Environmental Quality, a table of the
20 carbon dioxide equivalent applicable to each carbon-based fuel product taxed
21 pursuant to this Article.

22 (2) The amount of the tax applicable in the next calendar year under subsection
23 (d) of this section.

24 (f) Exemption. – The tax levied in this Article does not apply to the following:

25 (1) Carbon-based fuel products to the extent that the carbon dioxide equivalent
26 that is emitted as a result of combustion is sequestered and not released into
27 the atmosphere.

28 (2) Any activities which this Article may purport to tax in violation of the
29 Constitution of the United States or any federal statute are hereby expressly
30 exempted from taxation under this Article.

31 (g) Report. – A distributor paying the tax established in this Article shall submit an annual
32 compliance report to the Department on a form made available by the Department. Each report
33 shall include clear and concise information demonstrating that the distributor made calculations
34 and collections fully in accordance with this Article.

35 (h) Use. – The Secretary shall credit the net proceeds of the tax collected under this
36 Article as follows:

37 (1) An amount equal to ten percent (10%) of the proceeds to the General Fund to
38 be used for the special purpose of investments in and promotion of renewable
39 energy sources within the State.

40 (2) The remainder to be used to reduce the amount of utility bills paid by rate
41 payers."

42 **SECTION 2.** This act is effective when it becomes law.