

HOW WOULD CARBON POLLUTION FEES AFFECT LOW-INCOME PEOPLE IN MASSACHUSETTS?

The goal of putting a fee on fossil fuels based on their carbon content is to reduce their use, thereby cutting emissions of carbon dioxide (CO₂) that cause climate change. Around the world and locally, low-income communities are among those most vulnerable to the impacts of global warming, such as rising sea levels.

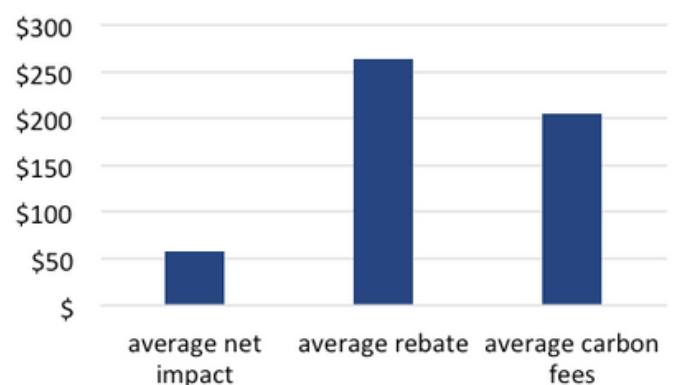
WOULD LOW-INCOME PEOPLE GAIN OR LOSE MONEY FROM THE CARBON FEES?

Senate 1821, “An Act Combating Climate Change,” would rebate 100% of the fees to the public. House 1726, “An Act to Promote Green Infrastructure, Reduce Greenhouse Gas Emissions, and Create Jobs,” would rebate 80% of the fees while using 20% for investment in “green infrastructure” – renewable energy, energy efficiency, green transportation, and protection against the impacts of climate change.

These policies are designed with equity at their center. Under S.1821 every resident of Massachusetts would get an equal rebate. Since low-income households generally use less energy than higher-income ones, on average their rebates will exceed their carbon fees. Research shows that, on average, low-income households would pay approximately \$206 in carbon fees through their gasoline and heating fuel purchases, but would receive rebates of \$263, for a net gain of about \$60 a year. Since energy use varies greatly among households, some low-income households would lose money and some would gain well more than \$60 a year.

Under **H.1726**, 20% of the fees are used for investment in green infrastructure, reducing what’s available for rebates. But the bill gives a higher fraction of the total rebates than in S.1821 to low- and moderate-income people, so that only a small number of such households lose money, with most gaining more than under S.1821. Moreover, the 20% invested would create jobs and stimulate the economy, including in low-income areas.

Impact per low-income household with S.1821



Note: Numbers are for the lowest-income 20% of Massachusetts households. Fees are during the 5th year after the legislation is implemented, when they would be \$30 per metric ton of CO₂ emissions, with emissions from electricity generation exempt. In the first year, fees and rebates would be one-third of this.

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HOW WOULD FUNDS BE RETURNED TO LOW-INCOME HOUSEHOLDS?

Both S.1821 and H.1726 direct the Departments of Revenue, Energy Resources, etc. to work together to ensure that everyone gets their rebates. For people who have wage earnings and pay state income tax, the withholding on each paycheck could be reduced. For those whose incomes are low and don't pay withholding tax, the rebate could be added to other benefits that they receive, such as SNAP (formerly Food Stamps) and fuel assistance. The agency that administers SNAP says that the rebate could be added in installments to the electronic benefit transfer (EBT) cards on which SNAP benefits are provided. Another option would be for the state to borrow funds and provide the entire rebates at the beginning of the year, through checks or another method.

WHAT SHOULD BE DONE TO HELP LOW-INCOME RESIDENTS AFFORD TO TRAVEL?

S.1821's rebates provide funds that would help low-income residents to pay public transit fares, purchase gasoline, or save up to buy a more fuel-efficient car. More needs to be done, however, to improve the availability of bus, subway, and train service, and to keep fares affordable. We support greater funding for regional transit authorities, whether through changes to the state budget or new revenue-raising measures.

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