

# House Bill 3425

Sponsored by JOINT COMMITTEE ON CARBON REDUCTION

## SUMMARY

The following summary is not prepared by the sponsors of the measure and is not a part of the body thereof subject to consideration by the Legislative Assembly. It is an editor's brief statement of the essential features of the measure **as introduced**.

Establishes, if State of Oregon adopts cap and trade program, credit available to certain households for purpose of mitigating carbon price indirectly paid by households through purchase of motor vehicle fuel to propel motor vehicles on public highways.

Takes effect on 91st day following adjournment sine die or on effective date of chapter \_\_\_\_\_, Oregon Laws 2019 (Enrolled House Bill 2020), whichever is later.

## A BILL FOR AN ACT

Relating to mitigating household fuel transportation costs; and prescribing an effective date.

**Be It Enacted by the People of the State of Oregon:**

### **SECTION 1. As used in sections 1 to 7 of this 2019 Act:**

(1) **"Allowance" means a tradable authorization to emit one metric ton of carbon dioxide equivalent, issued by the state as part of the market-based mechanism for covered entities to demonstrate compliance with a cap and trade program.**

(2) **"Area median income" means the median income for the metropolitan statistical area in which a household is located or, if the household is not located within a metropolitan statistical area, for the metropolitan statistical area in closest proximity to the location of the household, as determined by the Housing and Community Services Department, adjusted for household size.**

(3) **"Cap and trade program" means a state regulatory program adopted that:**

(a) **Places a cap on the total anthropogenic greenhouse gas emissions that are regulated emissions under the program through setting annual allowance budgets for 2021 to 2050;**

(b) **Provides a market-based mechanism for covered entities to demonstrate compliance with the program; and**

(c) **Regulates as covered entities under the program persons that produce or import fuel that is sold or distributed for use in this state, as necessary to address the regulated emissions that are attributable to the combustion of that fuel.**

(4) **"Eligible household" means a household with a household income that is no greater than 100 percent of the area median income.**

(5) **"Fuel" means:**

(a) **Motor vehicle fuel as defined in ORS 319.010; and**

(b) **Fuel subject to the tax imposed under ORS 319.530 on the use of fuel in a motor vehicle within the meaning of ORS 319.520.**

(6) **"Per-gallon carbon price" means the portion of the price of a gallon of fuel in Oregon that is attributable to the cost to a fuel producer or importer of being regulated under a cap and trade program adopted by the State of Oregon.**

**SECTION 2. (1)(a) Not later than November 30 of each year, beginning in the year that**

**NOTE:** Matter in **boldfaced** type in an amended section is new; matter *[italic and bracketed]* is existing law to be omitted. New sections are in **boldfaced** type.

1 a cap and trade program adopted by the State of Oregon becomes operative, the Department  
2 of Transportation, in consultation with the state agency charged with implementing the cap  
3 and trade program, shall prepare an annual estimate of:

4 (A) The median household vehicle miles traveled per region of this state;

5 (B) The median gallons of fuel used by a passenger motor vehicle in traveling the median  
6 household vehicle miles traveled per region; and

7 (C) The per-gallon carbon price.

8 (b) In preparing the estimate required under paragraph (a)(B) of this subsection, the de-  
9 partment shall exclude from the data set passenger motor vehicles that are not powered by  
10 fuel.

11 (c) In preparing the estimate required under paragraph (a)(C) of this subsection, the de-  
12 partment shall take into account regional differences in the median annual cost of a gallon  
13 of fuel. The department shall subtract from this estimate any increase solely attributable to  
14 a percentage increase, from 2020 to the current calendar year, in the Consumer Price Index  
15 for All Urban Consumers, West Region (All Items) as published by the Bureau of Labor  
16 Statistics of the United States Department of Labor. The estimate shall be expressed in a  
17 positive amount of dollars per gallon of fuel.

18 (2) Using the estimates prepared under subsection (1) of this section, the Department of  
19 Transportation shall develop a schedule of the annual credit amounts available to eligible  
20 households, per each region of this state. The credit amount available to an eligible house-  
21 hold in a region shall be computed:

22 (a) To reflect the median gallons of fuel used by passenger motor vehicles in traveling  
23 the median household vehicle miles traveled for the region, multiplied by the per-gallon car-  
24 bon price; and

25 (b) To closely approximate the carbon price indirectly paid by eligible households in the  
26 region through the purchase of fuel to propel passenger motor vehicles on the public high-  
27 ways.

28 (3) Not later than January 15 of each year, the Department of Transportation shall notify  
29 the Department of Revenue of the estimates required under this section and calculated for  
30 the immediately preceding year, and of the annual credit amounts available to eligible  
31 households per region.

32 (4) The Department of Transportation may adopt rules necessary to carry out this sec-  
33 tion.

34 **SECTION 3.** (1) If the State of Oregon adopts a cap and trade program, each eligible  
35 household may apply for a credit under this section in an amount equal to the annual credit  
36 amount for the region in which the eligible household is located, as calculated under section  
37 2 of this 2019 Act.

38 (2) The Department of Revenue shall provide a means on the personal income tax return,  
39 beginning with returns filed for tax years beginning on or after the year that a cap and trade  
40 program adopted by the State of Oregon becomes operative, by which an individual taxpayer  
41 in an eligible household may apply for the credit. An individual taxpayer in a household may  
42 apply for the credit on the return filed by the individual for any tax year beginning on or  
43 after the date on which the estimate required under section 2 of this 2019 Act is made.

44 (3) The department shall allow for eligible households in which no individual files a per-  
45 sonal income tax return to apply for the credit in a form prescribed by the department by

1 rule.

2 (4) An application for a credit must be signed by the applicant under penalties for false  
 3 swearing and include:

4 (a) A statement that the applicant is a member of an eligible household;

5 (b) Proof of registration in Oregon to the applicant of at least one passenger motor ve-  
 6 hicle that is powered by motor vehicle fuel; and

7 (c) Any other information required by the department by rule.

8 (5)(a) The department may investigate a credit application submitted under this section  
 9 and gather and compile such information related to the application as the department con-  
 10 siders necessary.

11 (b) The department may examine the relevant records of the applicant in order to es-  
 12 tablish the validity of an application.

13 (c) If an applicant does not permit the department to examine the relevant records, the  
 14 applicant waives all rights to the credit to which the application relates.

15 (6)(a) The department shall reject or approve an application for a credit submitted under  
 16 this section. The department may not approve more than one application per eligible house-  
 17 hold per year.

18 (b) The department may allow the applicant to modify an application without refileing to  
 19 any reasonable extent necessary for approval of the application.

20 (c) If the department rejects an application, the department shall notify the applicant and  
 21 explain the reasons for the rejection. An applicant may appeal a rejection, subject to the  
 22 provisions of section 4 of this 2019 Act.

23 (d) If the department approves an application, the department shall notify the applicant  
 24 and issue payment of the credit.

25 (7) The credits authorized under this section shall be paid by the department out of the  
 26 Climate Action Reimbursement Fund established under section 5 of this 2019 Act and in the  
 27 manner of refund payments in excess of tax liability under ORS chapter 316. The department  
 28 may not issue payment of a credit unless there are sufficient moneys available in the Climate  
 29 Action Reimbursement Fund to pay the credit.

30 (8) Money received by an individual through a credit issued under this section is exempt  
 31 from personal income taxation under Oregon law.

32 (9) The Department of Revenue, in consultation with the Department of Transportation,  
 33 shall develop and implement outreach efforts to encourage individuals in eligible households  
 34 to apply for the credit described in this section and section 2 of this 2019 Act.

35 **SECTION 4.** Except as otherwise provided in section 3 of this 2019 Act, or where context  
 36 requires otherwise, the provisions of ORS chapters 305, 314 and 316 as to the audit and ex-  
 37 amination of reports and returns, periods of limitation, determination of and notices of de-  
 38 ficiencies, assessments, collections, liens, delinquencies, claims for refund and refunds,  
 39 conferences, appeals to the Oregon Tax Court, stays of collection pending appeal,  
 40 confidentiality of returns and the penalties and procedures relative thereto, apply to the de-  
 41 terminations of taxes, credits, penalties and interest under section 3 of this 2019 Act.

42 **SECTION 5.** The Climate Action Reimbursement Fund is established in the State Treas-  
 43 ury, separate and distinct from the General Fund. The Climate Action Reimbursement Fund  
 44 shall consist of moneys transferred to the fund under section 6 of this 2019 Act. Interest  
 45 earned by the fund shall be credited to the fund. Moneys in the fund are continuously ap-

1 **propriated to the Department of Revenue to issue credits under section 3 of this 2019 Act.**

2 **SECTION 6. If the State of Oregon adopts a cap and trade program and notwithstanding**  
3 **any contrary provision of law, the Department of Transportation shall annually transfer to**  
4 **the Climate Action Reimbursement Fund established under section 5 of this 2019 Act \$100**  
5 **million of the moneys continuously appropriated to the Department of Transportation that**  
6 **are proceeds received by the state through the sale of allowances at auctions conducted by**  
7 **the state for the purpose of distributing the allowances.**

8 **SECTION 7. No later than September 15 of the fifth year following the year in which a**  
9 **cap and trade program adopted by the State of Oregon becomes operative, the Department**  
10 **of Revenue shall report, in the manner provided by ORS 192.245, on the credit provided for**  
11 **in sections 1 to 7 of this 2019 Act.**

12 **SECTION 8. This 2019 Act does not take effect unless chapter \_\_\_\_\_, Oregon Laws 2019**  
13 **(Enrolled House Bill 2020) becomes law.**

14 **SECTION 9. If chapter \_\_\_\_\_, Oregon Laws 2019 (Enrolled House Bill 2020) becomes**  
15 **law, this 2019 Act takes effect on the later of:**

16 **(1) The 91st day after the date on which the 2019 regular session of the Eightieth Legis-**  
17 **lative Assembly adjourns sine die; or**

18 **(2) The effective date of chapter \_\_\_\_\_, Oregon Laws 2019 (Enrolled House Bill 2020).**

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