Testimony on Raised Bill 5363

Submitted by Joe Horvath, Director of Legislative Outreach

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I would first like to thank the committee for taking this testimony. My name is Joe Horvath. I am the Director of Legislative Outreach for the Yankee Institute for Public Policy, a Connecticut-based free market think tank. I am submitting comment in opposition to HB 5363.

From a jobs and economic perspective, imposing a tax on carbon emissions would be a terrible mistake. This proposal, which creates a $15 per ton carbon tax that is to be increased annually, burdens both Connecticut's economy overall, as well as disproportionately harming the poorest among us. According to a 2013 study by the Congressional Budget Office, "the higher prices resulting from a carbon tax would tend to be regressive—that is, they would impose a larger burden (relative to income) on low-income households than on high-income households."[i]

The National Association of Manufacturers recently estimated that a $20 per ton tax in Connecticut would result in a 20-cent per-gallon increase to the price of gasoline, an average increase in electricity rates of 12 percent, and a 40 percent increase to the cost of natural gas.[ii] They also estimated that the income lost by such a tax would be the equivalent of thousands of lost jobs, as many as 9,000 within the first year and 18,000 within the first decade. In a state like ours with long, cold winters and already-high electricity rates, these costs would be almost unbearable. Under this proposal, the carbon tax would hit the harmful $20 per ton level by 2021.

Also, regarding the potential dividend tax credit: simply put, no dividend paid out to either businesses or individuals can possibly offset the economic harm of this proposal.

One procedural guard rail found within this proposal is that it would not go into effect until Massachusetts and Rhode Island each enact a carbon tax of no less than $10 per ton. This provision may have been intended to make sure Connecticut does not sacrifice competitiveness in the region, but it fails to accomplish that end. First, the proposal reads "enact," which is not properly defined. If Massachusetts passes a fossil fuel tax in 2019 but it does not go into effect until 2025, is it "enacted" under this proposal? Second, the rates that satisfy HB 5463's requirement are significantly lower than the tax imposed by HB 5363 itself. This is inherently anti-competitive and virtually guarantees that Connecticut suffers more than either Massachusetts or Rhode Island. Last, rather than being the state that imposes new burdens on its economy both first and to the greatest degree, why not instead be the state that allows others to make mistakes?

Further, while the competitiveness guard rail build into the bill seeks to keep Connecticut aligned with Massachusetts and Rhode Island, remember that in today's United States, our competitors do not always share a border. Since 1993, Connecticut has lost $16.33 billion of adjusted gross income to domestic outmigration. Four of the five states to which Connecticut has lost the most income do not border us (the same is true of population, too, dating back to 1986). Rather, only Massachusetts borders Connecticut, and this bill would allow Massachusetts to maintain its tax advantage.

[i] Effects of a Carbon Tax on the Economy and the Environment

[ii] National Association of Manufacturers Fact Sheet