Environmental Taxation and Fairness

David Thompson

Director, Sustainable Communities

Sustainable Prosperity

www.sustainableprosperity.ca

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Overview

- <u>Why</u> environmental taxation?
  - What is environmental taxation?
  - Concerns about fairness
  - Addressing fairness concerns – by design
  - Obtaining green support for fair taxes
- <u>How</u> to support environmental taxation
  - Framing, re-framing, campaigning

Why?

What is environmental taxation?

- Using tax measures to achieve green goals
  - Can be creation of a new tax (e.g. carbon tax)
  - Or adjustment of existing tax (e.g. tax on fuels)
- Rationale:
  - Prices matter: significant driver of decisions, behaviour (Econ 101)
  - Pulling against prices: little success
  - Pulling with prices: potentially much success

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What is environmental taxation?

- Current incentives (prices) creates problems
  - Response: change the incentives (prices)
- Align incentives with environmental goals
  - "Tax bads, not goods" (next slide)
  - We do it already: RRSPs, tobacco taxes…
- It works
  - Effective at making change, if designed right
  - More cost-effective than regulation
  - Fuller coverage than regulation

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Tax bads, not goods

- Economics 201: how to deal with externalities

Negative externalities (use charges, taxes, user fees)	Positive externalities (use subsidies)
Water wastage	Transit
Energy wastage	Education
Traffic congestion	Community facilities and parks
Derelict land and urban sprawl	Urban revitalization
Etc.	Etc.

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A legitimate concern: fairness
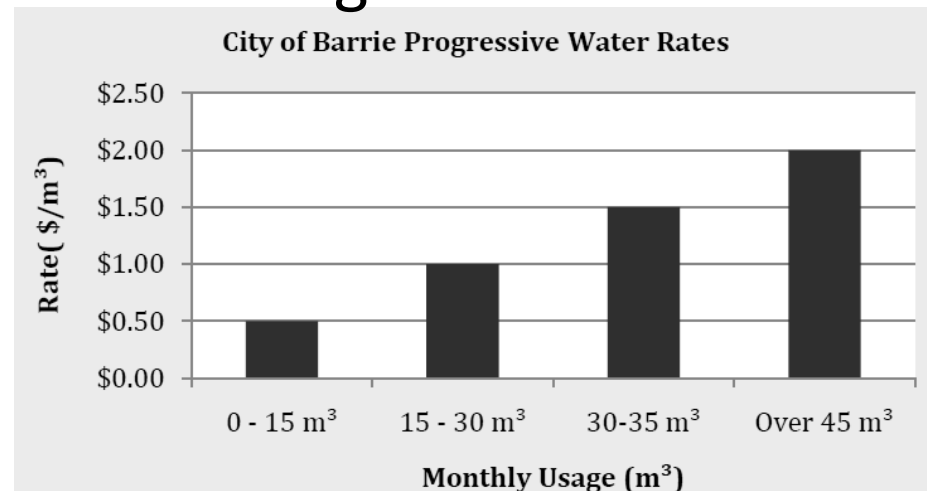
- Green taxes <u>can</u> be regressive:
  - disproportionate impact on middle and lower income people

- User taxes, user fees: bad history

- 1990s much-hated "user fees"
  - Often not really user fees - really head taxes (regressive)
  - Often levied on public goods (not bads)

Addressing the fairness concern

- Green taxes <u>can</u> be progressive
- Nothing inherently makes green taxes progressive or regressive
  - Depends on <u>design</u> of the policy package
    - Revenue-side
    - Spending-side

Revenue-side design

- Context: Are other revenues more progressive or less?
  - E.g. replace flat water rates with progressive* water rates, lifeline rates?
  - E.g. tip property tax rates to be higher on houses than apartments
- Serve green goals
- Protect lower income

City of Barrie Progressive Water Rates

A bar chart titled "City of Barrie Progressive Water Rates" with y-axis "Rate ($/m³)" ranging from $0.00 to $2.50, and x-axis "Monthly Usage (m³)". Bars: 0 - 15 m³ ≈ $0.50; 15 - 30 m³ ≈ $1.00; 30-35 m³ ≈ $1.50; Over 45 m³ ≈ $2.00.
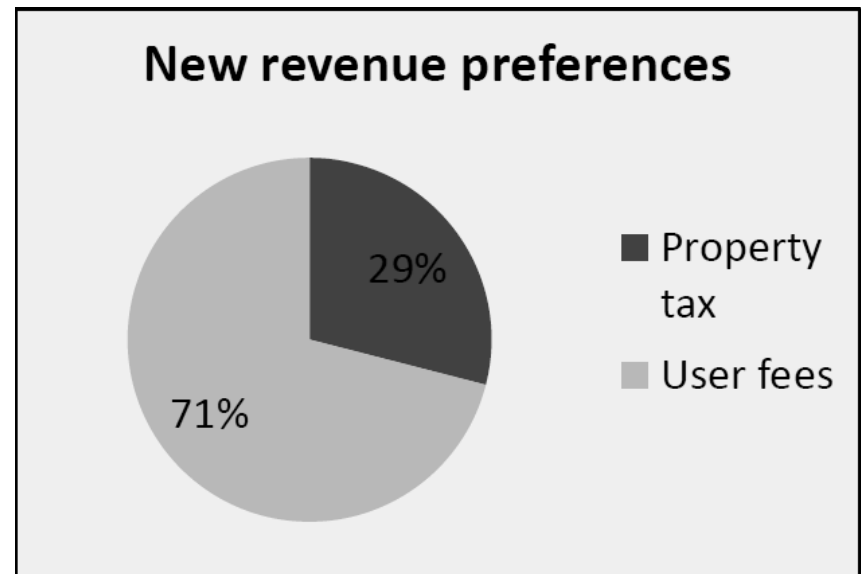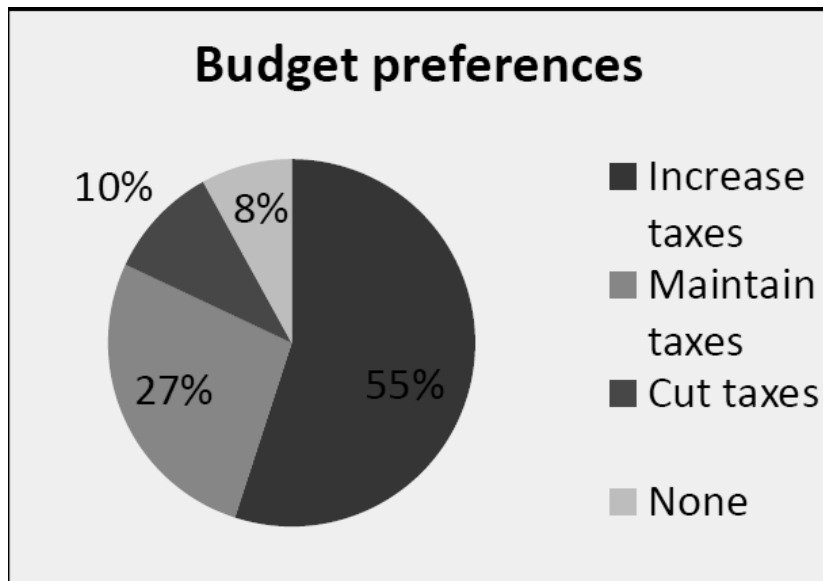
Spending-side design

- Much more latitude to make overall package progressive
- Green taxes will raise revenues
  - Redistribute: personal transfers (green dividend)
  - Spend on social programs
  - Subsidize home energy efficiency upgrades
  - Provide free transit
  - Clean up contaminated sites, etc...

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Why support green tax reform?

- Obtaining green support for fair tax program
- Building a broad constituency / movement
- Avoiding electoral losses
    - e.g. BC NDP "Axe the Tax" -- fail

Latent public support

- Environics – Keith Neuman presentation
- Calgary: home of anti-tax, anti-gov't hysteria?

Budget preferences

- 55% Increase taxes
- 27% Maintain taxes
- 10% Cut taxes
- 8% None

New revenue preferences

- 29% Property tax
- 71% User fees

How?

Overcoming negative framing

Negative framing: post-reality

- Framing Stéphane Dion's "Green Shift" carbon tax proposal
  - "crazy"
  - "insane"
  - will "screw everybody"…
- … before its design was released (post-reality)
- Easier to re-frame with facts on your side
  - Green Shift was proposed by Mintz-Olewiler

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Campaigning and re-framing

- Campaign on values, not on policies
  - Forget policy design part of this presentation (sort of)
  - Focus on Canadian values
- Move Overton window
  - Focussed, consistent message
  - Repetition works, Repetition works
  - Needs resources / infrastructure

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Potential green tax reform frames

- Fairness:
  - Polluter pays – climate justice
  - Public revenues for programs and services
- Prosperity:
  - Tax bads, not goods (pollution, not jobs)
  - Support green jobs
  - Double dividend, triple dividend
  - Smart budget
- Others… (workshop)

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dthompson@sustainableprosperity.ca

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