

# Texas Environmental Tax & Fee Reform Project

December 12, 2001

## Contacts:

*Cyrus Reed*  
Texas Center for Policy Studies  
44 East Ave, Suite 306  
Austin, Texas 78701  
(512) 474-0811  
(512) 474-7846 Fax  
[cr@texascenter.org](mailto:cr@texascenter.org)

*Dick Lavine*  
Center for Public Policy  
Priorities  
900 Lydia Street  
Austin, Texas 78702  
(512) 320-0222  
(512) 320-0227 (Fax)  
[lavine@cPPP.org](mailto:lavine@cPPP.org)

*Sparky Anderson*  
Texas Clean Water Fund  
2520 Longview Street, Suite 315  
Austin, Texas 78705  
(512) 474-0605  
(512) 474-7024 Fax  
[sparky@cleanwater.org](mailto:sparky@cleanwater.org)

*Ken Kramer*  
Lone Star Chapter, Sierra Club  
PO Box 1931  
Austin, TX 78767  
(512) 477-1729  
(512) 477-8526 Fax  
[kenwkramer@aol.com](mailto:kenwkramer@aol.com)

*Tom "Smitty" Smith*  
Public Citizen Texas  
1800 Rio Grande St.  
Austin, Texas 78705  
(512) 477-1155  
(512) 917-7977 Cell  
(512) 479-8302 Fax  
[smitty@citizen.org](mailto:smitty@citizen.org)

## Website:

<http://www.texascenter.org/feeproject>

## State Research Organizations Say Tax Bads, not Goods to Solve School Funding Shortfall

### *New summary report on environmentally responsible taxation*

State environmental and social research organizations released a summary report today on possible environmental tax options to help Texas meet its fiscal obligations during the next biennium.

Entitled "New Ideas for Fair Taxation in Texas: Promoting Environmental Responsibility," the report highlights a number of new tax and fee options that state leaders should consider in the search for adequate funding for basic state services, including environmental protection, health costs and public school finance. The report says that the options could lead to an additional \$2 to \$3 billion in state coffers next biennium if enacted.

"We would like state leaders – including the Joint Committee on Public School Finance meeting in Westlake tomorrow – to consider studying these new options," explained Cyrus Reed of the Texas Center for Policy Studies. "As we look for ways to increase state resources for schools and other needs – and to avoid raising property taxes – environmentally responsible taxes are a way to tax the bads – pollution, emissions, and destruction of natural resources – and not the goods -- income, production and property improvement."

The report reviews a number of possible categories of environmentally responsible taxes, including new motor fuels and motor vehicle taxes, a coal severance or use tax, repeal of some sales tax exemptions such as those on pesticides, fertilizers and agricultural chemicals, a limited carbon tax and new pollution taxes on air emissions and toxic releases.

Dick Lavine, of the Center for Public Policy Priorities, noted that a number of these options would need to be carefully designed to avoid hurting particular sectors of the economy or the working poor. For example, while it might be environmentally responsible to increase the motor fuels tax to raise state monies, the report said a better option might be to vary the motor fuels tax based upon the fuel grade so that dirtier fuels are taxed at a higher rate. Similarly, rather than raising the sales tax on vehicles – which again would affect the poor the most -- the state could design a "feebate" system which would charge higher sales tax or registration fees for the least-efficient, most-polluting vehicles, while offering a tax break to the cleanest vehicles, such as the hybrid gas-electric cars currently being manufactured by Honda and Toyota.

"At a time when state leaders and economists are projecting a budget deficit next session, we need to make sure we look at options that don't end up ultimately hurting the economy or Texas' poorest residents, already burdened with big taxes," explained Lavine. "We believe these environmental taxes – properly designed – could raise significant revenues without hurting the economy or the poor."