


Addressing the Impact of Climate Change Legislation on Low-Income Households

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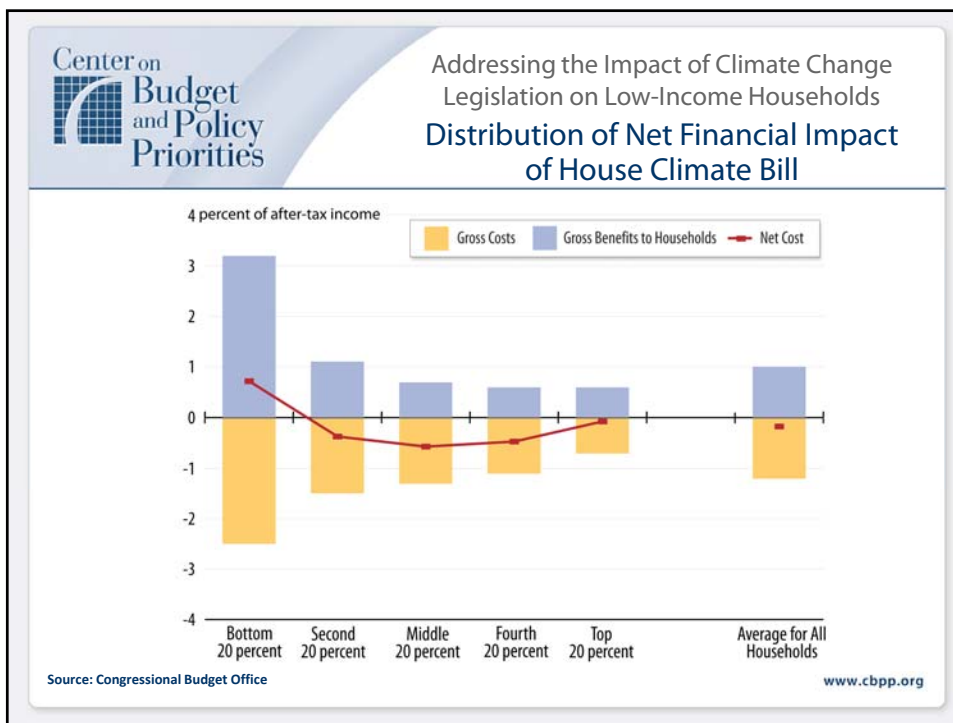
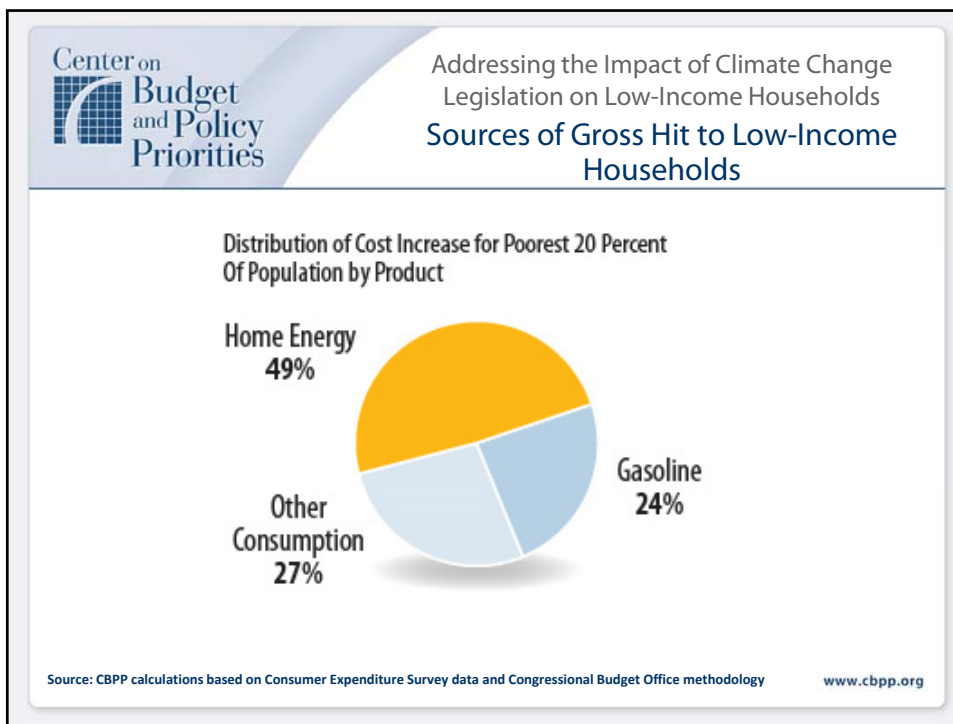


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Low-Income Protection Principles Similar Across Carbon-Pricing Regimes

- Analysis of the impact on household budgets of putting a price on carbon is driven by the estimated price, not which market-based mechanism is used (cap-and-trade, carbon tax, or a hybrid of some sort)
- Low-income households bear a disproportionate burden from policies that put a price on carbon
- Market-based policies raise revenue that should be used for public purposes, including, in particular, offsetting the burden on low-income households.
- The value of the purpose, not the sector from which the revenue is raised should determine the use of revenues. So, e.g. fuel tax revenue should not be restricted to transportation uses

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Program Design

- Direct refunds to low-income households with the amount varying by household size – preserves purchasing power and price incentives
- Size of the refund sufficient to ensure that the typical low-income household does not incur a net financial loss (offset net hit at 150 percent of poverty)
- Delivered monthly to most households that don't pay income taxes through the Electronic Benefit Transfer (EBT) system that states already use to deliver food stamp benefits and other cash assistance.
- Delivered to low-income working households through a refundable tax credit.
- Requires about 15 percent of comprehensive allowance value/revenue

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