

## **Carbon Tax and Refund FAQ**

### **What is the Carbon Tax?**

It's a way to price pollution, specifically carbon dioxide - the leading contributor to climate change. In Ontario, the carbon tax puts a price on carbon-based fuels such as gasoline and natural gas. Large companies also have to pay a carbon tax when they burn fossil fuels.

Every person and business in Ontario that uses carbon-based fuels pays the carbon tax, except farmers who buy fuel for farming.

Pricing pollution is important because it uses the market to help change behaviour. In January 2019 over 3,500 economists from the US and from all political stripes -including 27 Nobel prize winners- wrote an open letter showing their support for the carbon tax as the “most cost-effective lever to reduce carbon emissions at the scale and speed that is necessary.”

### **How much do I have to pay?**

It depends on how much carbon-based fuel you use. If you drive a fuel efficient car, you'll pay less than if you drive an old clunker. If you have a high efficiency gas furnace, you'll pay less than if you have an old furnace.

If you drive an electric car, use transit or bike, you're not paying the carbon tax for moving around.

And if you buy things from companies that use less carbon, you'll pay less than if you buy things from companies that use more fossil fuels (which means buying local is better).

The Federal Parliamentary Budget Office (a non-partisan office that is part of the House of Commons) estimates the average Ontario household will likely pay about \$256 this year.

Bottom line: the more fuel you use, the more carbon tax you pay. The less fuel you use, the less carbon tax you pay.

### **I've heard about a carbon tax refund. How do I get it?**

You already got your first rebate if you sent off your income tax return in April. Every year you submit your income tax return, you get the rebate for the next year.

### **What? Are you telling me I got the refund BEFORE I paid the tax?**

That's right, you got the refund at about the same time you started paying the carbon tax. Which means the refund is paying for the carbon tax. In other words, it's not costing you anything.

### **How much do I get from the refund?**

Each person gets a basic amount that is adjusted based on who they live with. A single person gets \$154. Two people living together get \$231. Two parents with two kids get \$303.

If you live in rural Ontario you get 10% more to cover the extra costs of living in the country. And if you're a farmer, the fuel you use to farm is exempt from the carbon tax.

### **Will my refund be greater than the amount I pay throughout the year?**

Yes, unless you are very wealthy. The Federal Parliamentary Budget Office released a study in April 2019 that shows 80% of Ontarians will get more money back than they spent on the carbon tax.

Interestingly, the carbon tax refund transfers money from rich people -who typically use more fuel- to the rest of us, benefiting those in need the most.

Bottom line: 80% of Ontarians will get a refund which is larger than what they pay in carbon taxes.

### **I'm confused. How does the carbon tax and refund system help fight the climate crisis if most people make money from it?**

It helps fight the climate crisis in two ways. First, the carbon tax and refund system is designed to reward people who use less carbon. Since the carbon refund is a fixed amount, a person can "make money" by reducing how much carbon they use.

For example, if you switch from a gasoline powered car to an electric car, you are no longer buying gasoline so you are not paying a carbon tax. But your carbon refund stays the same.

Which means more money stays in your pocket and less carbon goes into the atmosphere.

But the carbon tax and refund system helps in another way. Of all the money collected through the carbon tax in Ontario, 90% goes back to Ontarians as refunds. The remaining 10% will be used to fund programs that reduce carbon emissions. In June, the Federal Government announced it will invest \$41 million from the carbon tax in energy retrofits in Ontario schools.

In real numbers, in Ontario the carbon tax will generate about \$2 billion in revenues in 2019-20. About \$1.8 billion goes back in refunds and \$200 million gets invested in projects that reduce carbon emissions.

### **I heard that the carbon tax will be going up every year for the next while. Will my refund go up as well?**

Yes. Every time the carbon tax goes up, the refund goes up. In fact, the higher the carbon tax, the more money ends up in the pocket of the average Ontarian.

**I've heard so many negative things about the carbon tax. Now you tell me this. Who should I believe? I'm confused.**

You're not alone in being confused. There is a lot of misinformation and incomplete information out there about the carbon tax. That's why this FAQ exists. All of the above information is based on transparent, non-partisan information that comes from the following sources:

- The Federal Parliamentary Budget Office, specifically, [https://www.pbo-dpb.gc.ca/web/default/files/Documents/Reports/2019/Federal%20Carbon/Federal\\_carbon\\_pricing\\_EN.pdf](https://www.pbo-dpb.gc.ca/web/default/files/Documents/Reports/2019/Federal%20Carbon/Federal_carbon_pricing_EN.pdf)
- Canada Revenue Agency: <https://www.canada.ca/en/revenue-agency/services/tax/individuals/topics/about-your-tax-return/tax-return/completing-a-tax-return/deductions-credits-expenses/line-449-climate-action-incentive.html>
- CBC News: <https://www.cbc.ca/news/politics/school-retrofits-carbot-backstop-1.5188886>

The bottom line is that the carbon tax is a useful tool that will actually help Ontarians deal with the climate crisis. It's time we stop playing politics with this tool and start focusing on using it to ensure our children have a future on this planet.

**Does promoting the carbon tax mean I'm being political by supporting or opposing specific political parties?**

No. To start with, people from across the political spectrum support the carbon tax. In January 2019 over 3,500 economists from the US and from all political stripes -including 27 Nobel prize winners- wrote an open letter showing their support. They said:

"A carbon tax offers the most cost-effective lever to reduce carbon emissions at the scale and speed that is necessary. By correcting a well-known market failure, a carbon tax will send a powerful price signal that harnesses the invisible hand of the marketplace to steer economic actors towards a low-carbon future."

(<https://www.clcouncil.org/economists-statement/>)

It's this reliance on the market and the built in refund system that has attracted prominent Canadian Conservatives, such as Preston Manning, to the carbon tax. And up until March 2018 all major political parties in Ontario supported putting a price on pollution. In fact, the Ontario PCs, prior to the March 2018 leadership change, called for a carbon tax and rebate system very much like the one now in effect.