

ESSB 6440 - H AMD 965

By Representative Carlyle

ADOPTED AS AMENDED 03/12/2014

1 Strike everything after the enacting clause and insert the
2 following:

3 "PART I

4 Tax Performance Statement

5 NEW SECTION. **Sec. 101.** (1) The legislature finds that current law
6 taxes natural gas as a traditional home heating or electric generation
7 fuel while not taking into account the benefits of natural gas use as
8 a transportation fuel. The legislature further finds that the
9 construction and operation of a natural gas liquefaction plant and
10 compressed natural gas refueling stations as well as the ongoing use of
11 compressed and liquefied natural gas will lead to positive job
12 creation, economic development, environmental benefits, lower fuel
13 costs, and increased tax revenues to the state. The legislature
14 further finds that it is sound tax policy to provide uniform tax
15 treatment of natural gas used as a transportation fuel, regardless of
16 whether the taxpayer providing the natural gas is a gas distribution
17 business or not, so as to prevent any particular entity from receiving
18 a competitive advantage solely through a structural inefficiency in the
19 tax code.

20 (2)(a) This subsection is the tax performance statement for this
21 act. The performance statement is only intended to be used for
22 subsequent evaluation of the tax changes made in this act. It is not
23 intended to create a private right of action by any party or be used to
24 determine eligibility for preferential tax treatment.

25 (b) The legislature categorizes the tax changes in this act as
26 changes intended to accomplish the general purposes indicated in RCW
27 82.32.808(2) (c) and (d).

28 (c) It is the legislature's specific public policy objectives to
29 promote job creation and positive economic development; lower carbon

1 dioxide, sulfur dioxide, nitrogen dioxide, and particulate emissions;
2 and secure optimal liquefied natural gas pricing for the state of
3 Washington and other public entities.

4 (d) To measure the effectiveness of the exemption provided in this
5 act in achieving the specific public policy objective described in (c)
6 of this subsection, the joint legislative audit and review committee
7 must evaluate the following:

8 (i) The number of employment positions and wages at a natural gas
9 liquefaction facility located in Washington and operated by a gas
10 distribution business where some or all of the liquefied natural gas is
11 sold for use as a transportation fuel. If the average number of
12 employment positions at the liquefaction facility once it is
13 operationally complete equals or exceeds eighteen and average annual
14 wages for employment positions at the facility exceed thirty-five
15 thousand dollars, it is presumed that the public policy objective of
16 job creation has been achieved.

17 (ii) The estimated total cost of construction of a liquefaction
18 plant by a gas distribution company, including costs for machinery and
19 equipment. If the total cost equals or exceeds two hundred fifty
20 million dollars, it is presumed that the public policy objective of
21 positive economic development has been achieved.

22 (iii) The estimated fuel savings by the Washington state ferry
23 system and other public entities through the use of liquefied natural
24 gas purchased from a gas distribution business.

25 (iv) The estimated reduction in carbon dioxide, sulfur dioxide,
26 nitrogen dioxide, and particulate emissions, resulting from the use of
27 liquefied natural gas and compressed natural gas as a transportation
28 fuel where the natural gas is sold by a gas distribution business. The
29 emissions of liquefied and compressed natural gas must be specifically
30 compared with an equivalent amount of diesel fuel. If the estimated
31 annual reduction in emissions exceeds the following benchmarks, it is
32 presumed that the public policy objective of reducing emissions has
33 been achieved:

- 34 (A) Three hundred million pounds of carbon dioxide;
- 35 (B) Two hundred thousand pounds of particulates;
- 36 (C) Four hundred thousand pounds of sulfur dioxide; and
- 37 (D) Four hundred fifty thousand pounds of nitrogen dioxide.

1 (e)(i) The following data sources are intended to provide the
2 informational basis for the evaluation under (d) of this subsection:

3 (A) Employment data provided by the state employment security
4 department;

5 (B) Ferry fuel purchasing data provided by the state department of
6 transportation;

7 (C) Diesel and other energy pricing data found on the United States
8 energy information administration's web site; and

9 (D) Information provided by a gas distribution business on the
10 annual report required under RCW 82.32.534.

11 (ii) In addition to the data source described under (e)(i) of this
12 subsection, the joint legislative audit and review committee may use
13 any other data it deems necessary in performing the evaluation under
14 (d) of this subsection.

15 (3) A gas distribution business claiming the exemption under RCW
16 82.08.02565 or 82.12.02565 must file the annual report under RCW
17 82.32.534 or any successor document. In addition to the information
18 contained in the report, the report must also include the amount of
19 liquefied natural gas and compressed natural gas sold by the gas
20 distribution business as a transportation fuel. A gas distribution
21 business is not required to file the annual survey under RCW 82.32.585,
22 as would otherwise be required under RCW 82.32.808(5).

23 (4) The joint legislative audit and review committee must perform
24 the review required in this section in a manner consistent with its tax
25 preference review process under chapter 43.136 RCW. The committee must
26 perform the review in calendar year 2025.

27 PART II

28 Fuel Taxes and Sales Taxes

29 **Sec. 201.** RCW 82.38.030 and 2013 c 225 s 103 are each amended to
30 read as follows:

31 (1) There is levied and imposed upon fuel licensees a tax at the
32 rate of twenty-three cents per each gallon of fuel(~~(, or each one~~
33 ~~hundred cubic feet of compressed natural gas)), measured at standard
34 pressure and temperature.~~

35 (2) Beginning July 1, 2003, an additional and cumulative tax rate
36 of five cents per each gallon of fuel(~~(, or each one hundred cubic feet~~

1 ~~of compressed natural gas~~)), measured at standard pressure and
2 temperature is imposed on fuel licensees. This subsection (2) expires
3 when the bonds issued for transportation 2003 projects are retired.

4 (3) Beginning July 1, 2005, an additional and cumulative tax rate
5 of three cents per each gallon of fuel(~~(, or each one hundred cubic~~
6 ~~feet of compressed natural gas~~)), measured at standard pressure and
7 temperature is imposed on fuel licensees.

8 (4) Beginning July 1, 2006, an additional and cumulative tax rate
9 of three cents per each gallon of fuel(~~(, or each one hundred cubic~~
10 ~~feet of compressed natural gas~~)), measured at standard pressure and
11 temperature is imposed on fuel licensees.

12 (5) Beginning July 1, 2007, an additional and cumulative tax rate
13 of two cents per each gallon of fuel(~~(, or each one hundred cubic feet~~
14 ~~of compressed natural gas~~)), measured at standard pressure and
15 temperature is imposed on fuel licensees.

16 (6) Beginning July 1, 2008, an additional and cumulative tax rate
17 of one and one-half cents per each gallon of fuel(~~(, or each one~~
18 ~~hundred cubic feet of compressed natural gas~~)), measured at standard
19 pressure and temperature is imposed on fuel licensees.

20 (7) Taxes are imposed when:

21 (a) Fuel is removed in this state from a terminal if the fuel is
22 removed at the rack unless the removal is by a licensed supplier or
23 distributor for direct delivery to a destination outside of the state,
24 or the removal is by a fuel supplier for direct delivery to an
25 international fuel tax agreement licensee under RCW 82.38.320;

26 (b) Fuel is removed in this state from a refinery if either of the
27 following applies:

28 (i) The removal is by bulk transfer and the refiner or the owner of
29 the fuel immediately before the removal is not a licensed supplier; or

30 (ii) The removal is at the refinery rack unless the removal is to
31 a licensed supplier or distributor for direct delivery to a destination
32 outside of the state, or the removal is to a licensed supplier for
33 direct delivery to an international fuel tax agreement licensee under
34 RCW 82.38.320;

35 (c) Fuel enters into this state for sale, consumption, use, or
36 storage, unless the fuel enters this state for direct delivery to an
37 international fuel tax agreement licensee under RCW 82.38.320, if
38 either of the following applies:

- 1 (i) The entry is by bulk transfer and the importer is not a
- 2 licensed supplier; or
- 3 (ii) The entry is not by bulk transfer;
- 4 (d) Fuel enters this state by means outside the bulk transfer-
- 5 terminal system and is delivered directly to a licensed terminal unless
- 6 the owner is a licensed distributor or supplier;
- 7 (e) Fuel is sold or removed in this state to an unlicensed entity
- 8 unless there was a prior taxable removal, entry, or sale of the fuel;
- 9 (f) Blended fuel is removed or sold in this state by the blender of
- 10 the fuel. The number of gallons of blended fuel subject to tax is the
- 11 difference between the total number of gallons of blended fuel removed
- 12 or sold and the number of gallons of previously taxed fuel used to
- 13 produce the blended fuel;
- 14 (g) Dyed special fuel is used on a highway, as authorized by the
- 15 internal revenue code, unless the use is exempt from the fuel tax;
- 16 (h) Dyed special fuel is held for sale, sold, used, or is intended
- 17 to be used in violation of this chapter;
- 18 (i) Special fuel purchased by an international fuel tax agreement
- 19 licensee under RCW 82.38.320 is used on a highway; and
- 20 (j) Fuel is sold by a licensed fuel supplier to a fuel distributor
- 21 or fuel blender and the fuel is not removed from the bulk transfer-
- 22 terminal system.

23 **Sec. 202.** RCW 82.38.075 and 2013 c 225 s 110 are each amended to
 24 read as follows:

25 (1) To encourage the use of nonpolluting fuels, an annual license
 26 fee in lieu of the tax imposed by RCW 82.38.030 is imposed upon the use
 27 of liquefied natural gas, compressed natural gas, or propane used in
 28 any motor vehicle. The annual license fee must be based upon the
 29 following schedule and formula:

30	VEHICLE TONNAGE (GVW)	FEE
31	0 - 6,000	\$45
32	6,001 - 10,000	\$45
33	10,001 - 18,000	\$80
34	18,001 - 28,000	\$110
35	28,001 - 36,000	\$150

1

36,001 and above

\$250

2 (2) To determine the annual license fee for a registration year,
3 the appropriate dollar amount in the schedule is multiplied by the fuel
4 tax rate per gallon effective on July 1st of the preceding calendar
5 year and the product is divided by 12 cents.

6 (3) The department, in addition to the resulting fee, must charge
7 an additional fee of five dollars as a handling charge for each license
8 issued.

9 (4) The vehicle tonnage fee must be prorated so the annual license
10 will correspond with the staggered vehicle licensing system.

11 (5) A decal or other identifying device issued upon payment of the
12 annual fee must be displayed as prescribed by the department as
13 authority to purchase this fuel.

14 (6) Persons selling or dispensing natural gas or propane may not
15 sell or dispense this fuel for their own use or the use of others into
16 tanks of vehicles powered by this fuel which do not display a valid
17 decal or other identifying device.

18 (7) Commercial motor vehicles registered in a foreign jurisdiction
19 under the provisions of the international registration plan are subject
20 to the annual fee.

21 (8) Motor vehicles registered in a foreign jurisdiction, except
22 those registered under the international registration plan under
23 chapter 46.87 RCW, are exempt from this section.

24 (9) Vehicles registered in jurisdictions outside the state of
25 Washington are exempt from this section.

26 ((+8+)) (10) Any person selling or dispensing liquefied natural
27 gas, compressed natural gas, or propane into the tank of a motor
28 vehicle powered by this fuel, except as prescribed in this chapter, is
29 subject to the penalty provisions of this chapter.

30 **Sec. 203.** RCW 82.80.010 and 2013 c 225 s 641 are each amended to
31 read as follows:

32 (1) ~~((For purposes of this section*))~~ The definitions in this
33 subsection apply throughout this section unless the context clearly
34 requires otherwise.

35 (a) "Distributor" means every person who imports, refines,

1 manufactures, produces, or compounds motor vehicle fuel and special
2 fuel as defined in RCW 82.38.020(~~(, respectively,)~~) and sells or
3 distributes the fuel into a county(~~(+)~~).

4 (b) "Person" has the same meaning as in RCW 82.04.030.

5 (2) Subject to the conditions of this section, any county may levy,
6 by approval of its legislative body and a majority of the registered
7 voters of the county voting on the proposition at a general or special
8 election, additional excise taxes equal to ten percent of the statewide
9 (~~motor vehicle fuel tax rate under RCW 82.38.030 on each gallon of~~
10 ~~motor vehicle fuel as defined in RCW 82.38.020 and on each gallon of~~
11 special fuel) fuel tax rates under RCW 82.38.030 on motor vehicle fuel
12 and special fuel as defined in RCW 82.38.020 sold within the boundaries
13 of the county. Vehicles paying an annual license fee under RCW
14 82.38.075 are exempt from the county fuel excise tax. An election held
15 under this section must be held not more than twelve months before the
16 date on which the proposed tax is to be levied. The ballot setting
17 forth the proposition must state the tax rate that is proposed. The
18 county's authority to levy additional excise taxes under this section
19 includes the incorporated and unincorporated areas of the county. The
20 additional excise taxes are subject to the same exceptions and rights
21 of refund as applicable to other motor vehicle fuel and special fuel
22 excise taxes levied under chapter 82.38 RCW. The proposed tax may not
23 be levied less than one month from the date the election results are
24 certified by the county election officer. The commencement date for
25 the levy of any tax under this section must be the first day of
26 January, April, July, or October.

27 (3) The local option motor vehicle fuel tax on (~~each gallon of~~)
28 motor vehicle fuel and on (~~each gallon of~~) special fuel is imposed
29 upon the distributor of the fuel.

30 (4) A taxable event for the purposes of this section occurs upon
31 the first distribution of the fuel within the boundaries of a county to
32 a retail outlet, bulk fuel user, or ultimate user of the fuel.

33 (5) All administrative provisions in chapters 82.01, 82.03, and
34 82.32 RCW, insofar as they are applicable, apply to local option fuel
35 taxes imposed under this section.

36 (6) Before the effective date of the imposition of the fuel taxes
37 under this section, a county must contract with the department of
38 revenue for the administration and collection of the taxes. The

1 contract must provide that a percentage amount, not to exceed one
2 percent of the taxes imposed under this section, will be deposited into
3 the local tax administration account created in the custody of the
4 state treasurer. The department of revenue may spend money from this
5 account, upon appropriation, for the administration of the local taxes
6 imposed under this section.

7 (7) The state treasurer must distribute monthly to the levying
8 county and cities contained therein the proceeds of the additional
9 excise taxes collected under this section, after the deductions for
10 payments and expenditures as provided in RCW 46.68.090(1) (a) and (b)
11 and under the conditions and limitations provided in RCW 82.80.080.

12 (8) The proceeds of the additional excise taxes levied under this
13 section must be used strictly for transportation purposes in accordance
14 with RCW 82.80.070.

15 (9) A county may not levy the tax under this section if they are
16 levying the tax in RCW 82.80.110 or if they are a member of a regional
17 transportation investment district levying the tax in RCW 82.80.120.

18 **Sec. 204.** RCW 82.80.110 and 2013 c 225 s 642 are each amended to
19 read as follows:

20 (1) (~~For purposes of this section:~~) The definitions in this
21 subsection apply throughout this section unless the context clearly
22 requires otherwise.

23 (a) "Distributor" means every person who imports, refines,
24 manufactures, produces, or compounds motor vehicle fuel and special
25 fuel as defined in RCW 82.38.020(~~(, respectively,)~~) and sells or
26 distributes the fuel into a county(~~(+)~~).

27 (b) "Person" has the same meaning as in RCW 82.04.030.

28 (2) For purposes of dedication to a regional transportation
29 investment district plan under chapter 36.120 RCW, subject to the
30 conditions of this section, a county may levy additional excise taxes
31 equal to ten percent of the statewide (~~(motor vehicle fuel tax rate~~
32 ~~under RCW 82.38.030 on each gallon of motor vehicle fuel as defined in~~
33 ~~RCW 82.38.020 and on each gallon of special fuel)~~) fuel tax rates under
34 RCW 82.38.030 on motor vehicle fuel and special fuel as defined in RCW
35 (~~(82.32.020 [82.38.020])~~) 82.38.020 sold within the boundaries of the
36 county. The additional excise tax is subject to the approval of the
37 county's legislative body and a majority of the registered voters of

1 the county voting on the proposition at a general or special election.
2 An election held under this section must be held not more than twelve
3 months before the date on which the proposed tax is to be levied. The
4 ballot setting forth the proposition must state that the revenues from
5 the tax will be used for a regional transportation investment district
6 plan. The county's authority to levy additional excise taxes under
7 this section includes the incorporated and unincorporated areas of the
8 county. Vehicles paying an annual license fee under RCW 82.38.075 are
9 exempt from the county fuel excise tax. The additional excise taxes
10 are subject to the same exceptions and rights of refund as applicable
11 to other motor vehicle fuel and special fuel excise taxes levied under
12 chapter 82.38 RCW. The proposed tax may not be levied less than one
13 month from the date the election results are certified by the county
14 election officer. The commencement date for the levy of any tax under
15 this section will be the first day of January, April, July, or October.

16 (3) The local option motor vehicle fuel tax on (~~each gallon of~~)
17 motor vehicle fuel and on (~~each gallon of~~) special fuel is imposed
18 upon the distributor of the fuel.

19 (4) A taxable event for the purposes of this section occurs upon
20 the first distribution of the fuel within the boundaries of a county to
21 a retail outlet, bulk fuel user, or ultimate user of the fuel.

22 (5) All administrative provisions in chapters 82.01, 82.03, and
23 82.32 RCW, insofar as they are applicable, apply to local option fuel
24 taxes imposed under this section.

25 (6) Before the effective date of the imposition of the fuel taxes
26 under this section, a county must contract with the department of
27 revenue for the administration and collection of the taxes. The
28 contract must provide that a percentage amount, not to exceed one
29 percent of the taxes imposed under this section, will be deposited into
30 the local tax administration account created in the custody of the
31 state treasurer. The department of revenue may spend money from this
32 account, upon appropriation, for the administration of the local taxes
33 imposed under this section.

34 (7) The state treasurer must distribute monthly to the county
35 levying the tax as part of a regional transportation investment plan,
36 after the deductions for payments and expenditures as provided in RCW
37 46.68.090(1) (a) and (b).

1 (8) The proceeds of the additional taxes levied by a county in this
2 section, to be used as a part of a regional transportation investment
3 plan, must be used in accordance with chapter 36.120 RCW, but only for
4 those areas that are considered "highway purposes" as that term is
5 construed in Article II, section 40 of the state Constitution.

6 (9) A county may not levy the tax under this section if they are a
7 member of a regional transportation investment district that is levying
8 the tax in RCW 82.80.120 or the county is levying the tax in RCW
9 82.80.010.

10 **Sec. 205.** RCW 82.80.120 and 2013 c 225 s 643 are each amended to
11 read as follows:

12 (1) (~~For purposes of this section:~~) The definitions in this
13 subsection apply throughout this section unless the context clearly
14 requires otherwise.

15 (a) "Distributor" means every person who imports, refines,
16 manufactures, produces, or compounds motor vehicle fuel and special
17 fuel as defined in RCW 82.38.020(~~(, respectively,)~~) and sells or
18 distributes the fuel into a county(~~(,)~~)..

19 (b) "Person" has the same meaning as in RCW 82.04.030;

20 (c) "District" means a regional transportation investment district
21 under chapter 36.120 RCW.

22 (2) A regional transportation investment district under chapter
23 36.120 RCW, subject to the conditions of this section, may levy
24 additional excise taxes equal to ten percent of the statewide (~~motor~~
25 ~~vehicle fuel tax rate under RCW 82.38.030 on each gallon of motor~~
26 ~~vehicle fuel as defined in RCW 82.38.020 and on each gallon of special~~
27 ~~fuel~~) fuel tax rates under RCW 82.38.030 on motor vehicle fuel and
28 special fuel as defined in RCW 82.38.020 sold within the boundaries of
29 the district. The additional excise tax is subject to the approval of
30 a majority of the voters within the district boundaries. Vehicles
31 paying an annual license fee under RCW 82.38.075 are exempt from the
32 district's fuel excise tax. The additional excise taxes are subject to
33 the same exceptions and rights of refund as applicable to other motor
34 vehicle fuel and special fuel excise taxes levied under chapter 82.38
35 RCW. The proposed tax may not be levied less than one month from the
36 date the election results are certified. The commencement date for the

1 levy of any tax under this section will be the first day of January,
2 April, July, or October.

3 (3) The local option motor vehicle fuel tax on (~~each gallon of~~)
4 motor vehicle fuel and on (~~each gallon of~~) special fuel is imposed
5 upon the distributor of the fuel.

6 (4) A taxable event for the purposes of this section occurs upon
7 the first distribution of the fuel within the boundaries of the
8 district to a retail outlet, bulk fuel user, or ultimate user of the
9 fuel.

10 (5) All administrative provisions in chapters 82.01, 82.03, and
11 82.32 RCW, insofar as they are applicable, apply to local option fuel
12 taxes imposed under this section.

13 (6) Before the effective date of the imposition of the fuel taxes
14 under this section, a district must contract with the department of
15 revenue for the administration and collection of the taxes. The
16 contract must provide that a percentage amount, not to exceed one
17 percent of the taxes imposed under this section, will be deposited into
18 the local tax administration account created in the custody of the
19 state treasurer. The department of revenue may spend money from this
20 account, upon appropriation, for the administration of the local taxes
21 imposed under this section.

22 (7) The state treasurer must distribute monthly to the district
23 levying the tax as part of the regional transportation investment
24 district plan, after the deductions for payments and expenditures as
25 provided in RCW 46.68.090(1) (a) and (b).

26 (8) The proceeds of the additional taxes levied by a district in
27 this section, to be used as a part of a regional transportation
28 investment district plan, must be used in accordance with chapter
29 36.120 RCW, but only for those areas that are considered "highway
30 purposes" as that term is construed in Article II, section 40 of the
31 state Constitution.

32 (9) A district may only levy the tax under this section if the
33 district is comprised of boundaries identical to the boundaries of a
34 county or counties. A district may not levy the tax in this section if
35 a member county is levying the tax in RCW 82.80.010 or 82.80.110.

36 **Sec. 206.** RCW 82.47.010 and 1998 c 176 s 85 are each amended to
37 read as follows:

1 ~~((The definitions set forth in this section shall apply throughout~~
2 ~~this chapter unless the context clearly requires otherwise.~~

3 ~~(1) "Motor vehicle fuel" has the meaning given in RCW 82.36.010.~~

4 ~~(2) "Special fuel" has the meaning given in RCW 82.38.020.~~

5 ~~(3) "Motor vehicle" has the meaning given in RCW 82.36.010.)~~

6 For purposes of this chapter, unless the context clearly requires
7 otherwise, "fuel," "motor vehicle fuel," "special fuel," and "motor
8 vehicle" have the meaning given in RCW 82.38.020.

9 **Sec. 207.** RCW 46.16A.060 and 2011 c 114 s 6 are each amended to
10 read as follows:

11 (1) The department, county auditor or other agent, or subagent
12 appointed by the director may not issue or renew a motor vehicle
13 registration or change the registered owner of a registered vehicle for
14 any motor vehicle required to be inspected under chapter 70.120 RCW,
15 unless the application for issuance or renewal is: (a) Accompanied by
16 a valid certificate of compliance or a valid certificate of acceptance
17 issued as required under chapter 70.120 RCW; or (b) exempt, as
18 described in subsection (2) of this section. The certificates must
19 have a date of validation that is within twelve months of the assigned
20 registration renewal date. Certificates for fleet or owner tested
21 diesel vehicles may have a date of validation that is within twelve
22 months of the assigned registration renewal date.

23 (2) The following motor vehicles are exempt from emission test
24 requirements:

25 (a) Motor vehicles that are less than five years old or more than
26 twenty-five years old;

27 (b) Motor vehicles that are a 2009 model year or newer;

28 (c) Motor vehicles powered exclusively by electricity, propane,
29 compressed natural gas, liquefied natural gas, or liquid petroleum gas;

30 (d) Motorcycles as defined in RCW 46.04.330 and motor-driven cycles
31 as defined in RCW 46.04.332;

32 (e) Farm vehicles as defined in RCW 46.04.181;

33 (f) Street rod vehicles as defined in RCW 46.04.572 and custom
34 vehicles as defined in RCW 46.04.161;

35 (g) Used vehicles that are offered for sale by a motor vehicle
36 dealer licensed under chapter 46.70 RCW;

1 (h) Classes of motor vehicles exempted by the director of the
2 department of ecology; and

3 (i) Hybrid motor vehicles that obtain a rating by the environmental
4 protection agency of at least fifty miles per gallon of gas during city
5 driving. For purposes of this section, a hybrid motor vehicle is one
6 that uses propulsion units powered by both electricity and gas.

7 (3) The department of ecology (~~shall~~) must provide information to
8 motor vehicle owners:

9 (a) Regarding the boundaries of emission contributing areas and
10 restrictions established under this section that apply to vehicles
11 registered in such areas; and

12 (b) On the relationship between motor vehicles and air pollution
13 and steps motor vehicle owners should take to reduce motor vehicle
14 related air pollution.

15 (4) The department of licensing (~~shall~~) must:

16 (a) Notify all registered motor vehicle owners affected by the
17 emission testing program that they must have an emission test to renew
18 their registration;

19 (b) Adopt rules implementing and enforcing this section, except for
20 subsection (2)(e) of this section, as specified in chapter 34.05 RCW.

21 (5) A motor vehicle may not be registered, leased, rented, or sold
22 for use in the state, starting with the model year as provided in RCW
23 70.120A.010, unless the vehicle:

24 (a) Has seven thousand five hundred miles or more; or

25 (b)(i) Is consistent with the vehicle emission standards and carbon
26 dioxide equivalent emission standards adopted by the department of
27 ecology; and

28 (ii) Has a California certification label for all emission
29 standards, and carbon dioxide equivalent emission standards necessary
30 to meet fleet average requirements.

31 (6) The department of licensing, in consultation with the
32 department of ecology, may adopt rules necessary to implement this
33 section and may provide for reasonable exemptions to these
34 requirements. The department of ecology may exempt public safety
35 vehicles from meeting the standards where the department finds that
36 vehicles necessary to meet the needs of public safety agencies are not
37 otherwise reasonably available.

1 **Sec. 208.** RCW 46.37.467 and 1995 c 369 s 23 are each amended to
2 read as follows:

3 (1) Every automobile, truck, motorcycle, motor home, or off-road
4 vehicle that is fueled by an alternative fuel source (~~shall~~) must
5 bear a reflective placard issued by the national fire protection
6 association indicating that the vehicle is so fueled. Violation of
7 this subsection is a traffic infraction.

8 (2) As used in this section "alternative fuel source" includes
9 propane, compressed natural gas, liquefied natural gas, liquid
10 petroleum gas, or any chemically similar gas but does not include
11 gasoline or diesel fuel.

12 (3) If a placard for a specific alternative fuel source has not
13 been issued by the national fire protection association, a placard
14 issued by the chief of the Washington state patrol, through the
15 director of fire protection, (~~shall be~~) is required. The chief of
16 the Washington state patrol, through the director of fire protection,
17 (~~shall~~) must develop rules for the design, size, and placement of the
18 placard which (~~shall~~) remains effective until a specific placard is
19 issued by the national fire protection association.

20 NEW SECTION. **Sec. 209.** (1) The department of licensing must
21 convene a work group that includes, at a minimum, representatives from
22 the department of transportation, the trucking industry, manufacturers
23 of compressed natural gas and liquefied natural gas, and any other
24 stakeholders as deemed necessary, for the following purposes:

25 (a) To evaluate the annual license fee in lieu of fuel tax under
26 RCW 82.38.075 to determine a fee that more closely represents the
27 average consumption of vehicles by weight and to make recommendations
28 to the transportation committees of the legislature by December 1,
29 2014, on an updated fee schedule.

30 (b) To develop a transition plan to move vehicles powered by
31 liquefied natural gas, compressed natural gas, and propane from the
32 annual license fee in lieu of fuel tax to the fuel tax under RCW
33 82.38.030. The transition plan must incorporate stakeholder feedback
34 and must include draft legislation and cost and revenue estimates. The
35 transition plan must be submitted to the transportation committees of
36 the legislature by December 1, 2015.

1 (2) The department of revenue must convene a work group that
2 includes, at a minimum, representatives from the department of
3 transportation, the marine shipping industry, manufacturers of
4 liquefied natural gas, and any other stakeholders as deemed necessary,
5 for the purpose of examining the appropriate level and manner of taxing
6 liquefied natural gas used for marine vessel transportation. The
7 department must make recommendations to the fiscal committees of the
8 legislature by December 1, 2025.

9 **PART III**

10 **State and Local Business Taxes**

11 NEW SECTION. **Sec. 301.** A new section is added to chapter 82.16
12 RCW to read as follows:

13 (1) The provisions of this chapter do not apply to sales by a gas
14 distribution business of:

15 (a) Compressed natural gas or liquefied natural gas, where the
16 compressed natural gas or liquefied natural gas is to be sold or used
17 as transportation fuel; or

18 (b) Natural gas from which the buyer manufactures compressed
19 natural gas or liquefied natural gas, where the compressed natural gas
20 or liquefied natural gas is to be sold or used as transportation fuel.

21 (2) The exemption is available only when the buyer provides the
22 seller with an exemption certificate in a form and manner prescribed by
23 the department. The seller must retain a copy of the certificate for
24 the seller's files.

25 (3) For the purposes of this section, "transportation fuel" means
26 fuel for the generation of power to propel a motor vehicle as defined
27 in RCW 46.04.320, a vessel as defined in RCW 88.02.310, or a locomotive
28 or railroad car.

29 **Sec. 302.** RCW 82.04.310 and 2007 c 58 s 1 are each amended to read
30 as follows:

31 (1) This chapter (~~shall~~) does not apply to any person in respect
32 to a business activity with respect to which tax liability is
33 specifically imposed under the provisions of chapter 82.16 RCW
34 including amounts derived from activities for which a deduction is
35 allowed under RCW 82.16.050. The exemption in this subsection does not

1 apply to sales of natural gas, including compressed natural gas and
2 liquefied natural gas, by a gas distribution business, if such sales
3 are exempt from the tax imposed under chapter 82.16 RCW as provided in
4 section 301 of this act.

5 (2) This chapter does not apply to amounts received by any person
6 for the sale of electrical energy for resale within or outside the
7 state.

8 (3)(a) This chapter does not apply to amounts received by any
9 person for the sale of natural or manufactured gas in a calendar year
10 if that person sells within the United States a total amount of natural
11 or manufactured gas in that calendar year that is no more than twenty
12 percent of the amount of natural or manufactured gas that it consumes
13 within the United States in the same calendar year.

14 (b) For purposes of determining whether a person has sold within
15 the United States a total amount of natural or manufactured gas in a
16 calendar year that is no more than twenty percent of the amount of
17 natural or manufactured gas that it consumes within the United States
18 in the same calendar year, the following transfers of gas are not
19 considered to be the sale of natural or manufactured gas:

20 (i) The transfer of any natural or manufactured gas as a result of
21 the acquisition of another business, through merger or otherwise; or

22 (ii) The transfer of any natural or manufactured gas accomplished
23 solely to comply with federal regulatory requirements imposed on the
24 pipeline transportation of such gas when it is shipped by a third-party
25 manager of a person's pipeline transportation.

26 **Sec. 303.** RCW 82.04.120 and 2011 c 23 s 3 are each amended to read
27 as follows:

28 (1) "To manufacture" embraces all activities of a commercial or
29 industrial nature wherein labor or skill is applied, by hand or
30 machinery, to materials so that as a result thereof a new, different or
31 useful substance or article of tangible personal property is produced
32 for sale or commercial or industrial use, and includes:

33 (a) The production or fabrication of special made or custom made
34 articles;

35 (b) The production or fabrication of dental appliances, devices,
36 restorations, substitutes, or other dental laboratory products by a
37 dental laboratory or dental technician;

1 (c) Cutting, delimiting, and measuring of felled, cut, or taken
2 trees; (~~and~~)

3 (d) Crushing and/or blending of rock, sand, stone, gravel, or ore;
4 and

5 (e) The production of compressed natural gas or liquefied natural
6 gas for use as a transportation fuel as defined in section 301 of this
7 act.

8 (2) "To manufacture" does not include:

9 (a) Conditioning of seed for use in planting; cubing hay or
10 alfalfa;

11 (b) Activities which consist of cutting, grading, or ice glazing
12 seafood which has been cooked, frozen, or canned outside this state;

13 (c) The growing, harvesting, or producing of agricultural products;

14 (d) Packing of agricultural products, including sorting, washing,
15 rinsing, grading, waxing, treating with fungicide, packaging, chilling,
16 or placing in controlled atmospheric storage;

17 (e) The production of digital goods;

18 (f) The production of computer software if the computer software is
19 delivered from the seller to the purchaser by means other than tangible
20 storage media, including the delivery by use of a tangible storage
21 media where the tangible storage media is not physically transferred to
22 the purchaser; and

23 (g) Except as provided in subsection (1)(e) of this section, any
24 activity that is integral to any public service business as defined in
25 RCW 82.16.010 and with respect to which the gross income associated
26 with such activity: (i) Is subject to tax under chapter 82.16 RCW; or
27 (ii) would be subject to tax under chapter 82.16 RCW if such activity
28 were conducted in this state or if not for an exemption or deduction.

29 (3) With respect to wastewater treatment facilities:

30 (a) "To manufacture" does not include the treatment of wastewater,
31 the production of reclaimed water, and the production of class B
32 biosolids; and

33 (b) "To manufacture" does include the production of class A or
34 exceptional quality biosolids, but only with respect to the processing
35 activities that occur after the biosolids have reached class B
36 standards.

1 **Sec. 304.** RCW 82.12.022 and 2011 c 174 s 304 are each amended to
2 read as follows:

3 (1) A use tax is levied on every person in this state for the
4 privilege of using natural gas or manufactured gas, including
5 compressed natural gas and liquefied natural gas, within this state as
6 a consumer.

7 (2) The tax must be levied and collected in an amount equal to the
8 value of the article used by the taxpayer multiplied by the rate in
9 effect for the public utility tax on gas distribution businesses under
10 RCW 82.16.020. The "value of the article used" does not include any
11 amounts that are paid for the hire or use of a gas distribution
12 business as defined in RCW 82.16.010(2) in transporting the gas subject
13 to tax under this subsection if those amounts are subject to tax under
14 that chapter.

15 (3) The tax levied in this section does not apply to the use of
16 natural or manufactured gas delivered to the consumer by other means
17 than through a pipeline.

18 (4) The tax levied in this section does not apply to the use of
19 natural or manufactured gas if the person who sold the gas to the
20 consumer has paid a tax under RCW 82.16.020 with respect to the gas for
21 which exemption is sought under this subsection.

22 (5)(a) The tax levied in this section does not apply to the use of
23 natural or manufactured gas by an aluminum smelter as that term is
24 defined in RCW 82.04.217 before January 1, 2017.

25 (b) A person claiming the exemption provided in this subsection (5)
26 must file a complete annual report with the department under RCW
27 82.32.534.

28 (6) The tax imposed by this section does not apply to the use of
29 natural gas, compressed natural gas, or liquefied natural gas, if the
30 consumer uses the gas for transportation fuel as defined in section 301
31 of this act.

32 (7) There is a credit against the tax levied under this section in
33 an amount equal to any tax paid by:

34 (a) The person who sold the gas to the consumer when that tax is a
35 gross receipts tax similar to that imposed pursuant to RCW 82.16.020 by
36 another state with respect to the gas for which a credit is sought
37 under this subsection; or

1 (b) The person consuming the gas upon which a use tax similar to
2 the tax imposed by this section was paid to another state with respect
3 to the gas for which a credit is sought under this subsection.

4 ~~((+7))~~ (8) The use tax imposed in this section must be paid by the
5 consumer to the department.

6 ~~((+8))~~ (9) There is imposed a reporting requirement on the person
7 who delivered the gas to the consumer to make a quarterly report to the
8 department. Such report must contain the volume of gas delivered, name
9 of the consumer to whom delivered, and such other information as the
10 department may require by rule.

11 ~~((+9))~~ (10) The department may adopt rules under chapter 34.05 RCW
12 for the administration and enforcement of sections 1 through 6, chapter
13 384, Laws of 1989.

14 **Sec. 305.** RCW 82.14.230 and 2010 c 127 s 5 are each amended to
15 read as follows:

16 (1) The governing body of any city, while not required by
17 legislative mandate to do so, may, by resolution or ordinance for the
18 purposes authorized by this chapter, fix and impose on every person a
19 use tax for the privilege of using natural gas or manufactured gas in
20 the city as a consumer.

21 (2) The tax is imposed in an amount equal to the value of the
22 article used by the taxpayer multiplied by the rate in effect for the
23 tax on natural gas businesses under RCW 35.21.870 in the city in which
24 the article is used. The "value of the article used," does not include
25 any amounts that are paid for the hire or use of a natural gas business
26 in transporting the gas subject to tax under this subsection if those
27 amounts are subject to tax under RCW 35.21.870.

28 (3) The tax imposed under this section does not apply to the use of
29 natural or manufactured gas if the person who sold the gas to the
30 consumer has paid a tax under RCW 35.21.870 with respect to the gas for
31 which exemption is sought under this subsection.

32 (4) There is a credit against the tax levied under this section in
33 an amount equal to any tax paid by:

34 (a) The person who sold the gas to the consumer when that tax is a
35 gross receipts tax similar to that imposed pursuant to RCW 35.21.870 by
36 another municipality or other unit of local government with respect to
37 the gas for which a credit is sought under this subsection; or

1 (b) The person consuming the gas upon which a use tax similar to
2 the tax imposed by this section was paid to another municipality or
3 other unit of local government with respect to the gas for which a
4 credit is sought under this subsection.

5 (5) The use tax imposed must be paid by the consumer. The
6 administration and collection of the tax imposed is pursuant to RCW
7 82.14.050.

8 (6) The tax authorized by this section does not apply to the use of
9 natural gas, compressed natural gas, or liquefied natural gas, if the
10 consumer uses the gas for transportation fuel as defined in section 301
11 of this act.

12 **Sec. 306.** RCW 35.21.870 and 1984 c 225 s 6 are each amended to
13 read as follows:

14 (1) No city or town may impose a tax on the privilege of conducting
15 an electrical energy, natural gas, steam energy, or telephone business
16 at a rate which exceeds six percent unless the rate is first approved
17 by a majority of the voters of the city or town voting on such a
18 proposition.

19 (2)(a) If a city or town is imposing a rate of tax under subsection
20 (1) of this section in excess of six percent on April 20, 1982, the
21 city or town (~~shall~~) must decrease the rate to a rate of six percent
22 or less by reducing the rate each year on or before November 1st by
23 ordinances to be effective on January 1st of the succeeding year, by an
24 amount equal to one-tenth the difference between the tax rate on April
25 20, 1982, and six percent.

26 (b) Nothing in this subsection prohibits a city or town from
27 reducing its rates by amounts greater than the amounts required in this
28 subsection.

29 (3) Voter approved rate increases under subsection (1) of this
30 section (~~shall~~) may not be included in the computations under this
31 subsection.

32 (4) No city or town may impose a tax on the privilege of conducting
33 a natural gas business with respect to sales that are exempt from the
34 tax imposed under chapter 82.16 RCW as provided in section 301 of this
35 act at a rate higher than its business and occupation tax rate on the
36 sale of tangible personal property or, if the city or town does not

1 impose a business and occupation tax on the sale of tangible personal
2 property, at a rate greater than .002.

3 **Sec. 307.** RCW 82.14.030 and 2008 c 86 s 101 are each amended to
4 read as follows:

5 (1) The governing body of any county or city, while not required by
6 legislative mandate to do so, may, by resolution or ordinance for the
7 purposes authorized by this chapter, impose a sales and use tax in
8 accordance with the terms of this chapter. Such tax (~~shall~~) must be
9 collected from those persons who are taxable by the state under
10 chapters 82.08 and 82.12 RCW, upon the occurrence of any taxable event
11 within the county or city as the case may be. (~~Except as provided in~~
12 ~~RCW 82.14.230,~~) This sales and use tax (~~shall~~) does not apply to
13 natural or manufactured gas, except for natural gas that is used as a
14 transportation fuel as defined in section 301 of this act and is
15 taxable by the state under chapters 82.08 and 82.12 RCW. The rate of
16 such tax imposed by a county (~~shall be~~) is five-tenths of one percent
17 of the selling price (in the case of a sales tax) or value of the
18 article used (in the case of a use tax). The rate of such tax imposed
19 by a city (~~shall~~) may not exceed five-tenths of one percent of the
20 selling price (in the case of a sales tax) or value of the article used
21 (in the case of a use tax). However, in the event a county imposes a
22 sales and use tax under this subsection, the rate of such tax imposed
23 under this subsection by any city therein (~~shall~~) may not exceed four
24 hundred and twenty-five one-thousandths of one percent.

25 (2) In addition to the tax authorized in subsection (1) of this
26 section, the governing body of any county or city may by resolution or
27 ordinance impose an additional sales and use tax in accordance with the
28 terms of this chapter. Such additional tax (~~shall~~) must be collected
29 upon the same taxable events upon which the tax imposed under
30 subsection (1) of this section is imposed. The rate of such additional
31 tax imposed by a county (~~shall be~~) is up to five-tenths of one
32 percent of the selling price (in the case of a sales tax) or value of
33 the article used (in the case of a use tax). The rate of such
34 additional tax imposed by a city (~~shall be~~) is up to five-tenths of
35 one percent of the selling price (in the case of a sales tax) or value
36 of the article used (in the case of a use tax). However, in the event
37 a county imposes a sales and use tax under the authority of this

1 subsection at a rate equal to or greater than the rate imposed under
2 the authority of this subsection by a city within the county, the
3 county (~~shall~~) must receive fifteen percent of the city tax. In the
4 event that the county imposes a sales and use tax under the authority
5 of this subsection at a rate which is less than the rate imposed under
6 this subsection by a city within the county, the county (~~shall~~) must
7 receive that amount of revenues from the city tax equal to fifteen
8 percent of the rate of tax imposed by the county under the authority of
9 this subsection. The authority to impose a tax under this subsection
10 is intended in part to compensate local government for any losses from
11 the phase-out of the property tax on business inventories.

12 **PART IV**

13 **Export and Machinery and Equipment Sales and Use Tax Exemptions**

14 **Sec. 401.** RCW 82.08.02565 and 2011 c 23 s 2 are each amended to
15 read as follows:

16 (1)(a) The tax levied by RCW 82.08.020 does not apply to sales to
17 a manufacturer or processor for hire of machinery and equipment used
18 directly in a manufacturing operation or research and development
19 operation, to sales to a person engaged in testing for a manufacturer
20 or processor for hire of machinery and equipment used directly in a
21 testing operation, or to sales of or charges made for labor and
22 services rendered in respect to installing, repairing, cleaning,
23 altering, or improving the machinery and equipment.

24 (b) Except as provided in (c) of this subsection, sellers making
25 tax-exempt sales under this section must obtain from the purchaser an
26 exemption certificate in a form and manner prescribed by the department
27 by rule. The seller must retain a copy of the certificate for the
28 seller's files.

29 (c)(i) The exemption under this section is in the form of a
30 remittance for a gas distribution business, as defined in RCW
31 82.16.010, claiming the exemption for machinery and equipment used for
32 the production of compressed natural gas or liquefied natural gas for
33 use as a transportation fuel.

34 (ii) A gas distribution business claiming an exemption from state
35 and local tax in the form of a remittance under this section must pay
36 the tax under RCW 82.08.020 and all applicable local sales taxes.

1 Beginning July 1, 2017, the gas distribution business may then apply to
2 the department for remittance of state and local sales and use taxes.
3 A gas distribution business may not apply for a remittance more
4 frequently than once a quarter. The gas distribution business must
5 specify the amount of exempted tax claimed and the qualifying purchases
6 for which the exemption is claimed. The gas distribution business must
7 retain, in adequate detail, records to enable the department to
8 determine whether the business is entitled to an exemption under this
9 section, including: Invoices; proof of tax paid; and documents
10 describing the machinery and equipment.

11 (iii) The department must determine eligibility under this section
12 based on the information provided by the gas distribution business,
13 which is subject to audit verification by the department. The
14 department must on a quarterly basis remit exempted amounts to
15 qualifying businesses who submitted applications during the previous
16 quarter.

17 (iv) Beginning July 1, 2028, a gas distribution business may not
18 apply for a refund under this section or RCW 82.12.02565.

19 (2) For purposes of this section and RCW 82.12.02565:

20 (a) "Machinery and equipment" means industrial fixtures, devices,
21 and support facilities, and tangible personal property that becomes an
22 ingredient or component thereof, including repair parts and replacement
23 parts. "Machinery and equipment" includes pollution control equipment
24 installed and used in a manufacturing operation, testing operation, or
25 research and development operation to prevent air pollution, water
26 pollution, or contamination that might otherwise result from the
27 manufacturing operation, testing operation, or research and development
28 operation. "Machinery and equipment" also includes digital goods.

29 (b) "Machinery and equipment" does not include:

30 (i) Hand-powered tools;

31 (ii) Property with a useful life of less than one year;

32 (iii) Buildings, other than machinery and equipment that is
33 permanently affixed to or becomes a physical part of a building; and

34 (iv) Building fixtures that are not integral to the manufacturing
35 operation, testing operation, or research and development operation
36 that are permanently affixed to and become a physical part of a
37 building, such as utility systems for heating, ventilation, air
38 conditioning, communications, plumbing, or electrical.

1 (c) Machinery and equipment is "used directly" in a manufacturing
2 operation, testing operation, or research and development operation if
3 the machinery and equipment:

4 (i) Acts upon or interacts with an item of tangible personal
5 property;

6 (ii) Conveys, transports, handles, or temporarily stores an item of
7 tangible personal property at the manufacturing site or testing site;

8 (iii) Controls, guides, measures, verifies, aligns, regulates, or
9 tests tangible personal property at the site or away from the site;

10 (iv) Provides physical support for or access to tangible personal
11 property;

12 (v) Produces power for, or lubricates machinery and equipment;

13 (vi) Produces another item of tangible personal property for use in
14 the manufacturing operation, testing operation, or research and
15 development operation;

16 (vii) Places tangible personal property in the container, package,
17 or wrapping in which the tangible personal property is normally sold or
18 transported; or

19 (viii) Is integral to research and development as defined in RCW
20 82.63.010.

21 (d) "Manufacturer" means a person that qualifies as a manufacturer
22 under RCW 82.04.110. "Manufacturer" also includes a person that prints
23 newspapers or other materials.

24 (e) "Manufacturing" means only those activities that come within
25 the definition of "to manufacture" in RCW 82.04.120 and are taxed as
26 manufacturing or processing for hire under chapter 82.04 RCW, or would
27 be taxed as such if such activity were conducted in this state or if
28 not for an exemption or deduction. "Manufacturing" also includes
29 printing newspapers or other materials. An activity is not taxed as
30 manufacturing or processing for hire under chapter 82.04 RCW if the
31 activity is within the purview of chapter 82.16 RCW.

32 (f) "Manufacturing operation" means the manufacturing of articles,
33 substances, or commodities for sale as tangible personal property. A
34 manufacturing operation begins at the point where the raw materials
35 enter the manufacturing site and ends at the point where the processed
36 material leaves the manufacturing site. With respect to the production
37 of class A or exceptional quality biosolids by a wastewater treatment
38 facility, the manufacturing operation begins at the point where class

1 B biosolids undergo additional processing to achieve class A or
2 exceptional quality standards. Notwithstanding anything to the
3 contrary in this section, the term also includes that portion of a
4 cogeneration project that is used to generate power for consumption
5 within the manufacturing site of which the cogeneration project is an
6 integral part. The term does not include the preparation of food
7 products on the premises of a person selling food products at retail.

8 (g) "Cogeneration" means the simultaneous generation of electrical
9 energy and low-grade heat from the same fuel.

10 (h) "Research and development operation" means engaging in research
11 and development as defined in RCW 82.63.010 by a manufacturer or
12 processor for hire.

13 (i) "Testing" means activities performed to establish or determine
14 the properties, qualities, and limitations of tangible personal
15 property.

16 (j) "Testing operation" means the testing of tangible personal
17 property for a manufacturer or processor for hire. A testing operation
18 begins at the point where the tangible personal property enters the
19 testing site and ends at the point where the tangible personal property
20 leaves the testing site. The term also includes the testing of
21 tangible personal property for use in that portion of a cogeneration
22 project that is used to generate power for consumption within the
23 manufacturing site of which the cogeneration project is an integral
24 part. The term does not include the testing of tangible personal
25 property for use in the production of electricity by a light and power
26 business as defined in RCW 82.16.010 or the preparation of food
27 products on the premises of a person selling food products at retail.

28 **Sec. 402.** RCW 82.12.02565 and 2003 c 5 s 5 are each amended to
29 read as follows:

30 (1) The provisions of this chapter (~~shall~~) do not apply in
31 respect to the use by a manufacturer or processor for hire of machinery
32 and equipment used directly in a manufacturing operation or research
33 and development operation, to the use by a person engaged in testing
34 for a manufacturer or processor for hire of machinery and equipment
35 used directly in a testing operation, or to the use of labor and
36 services rendered in respect to installing, repairing, cleaning,
37 altering, or improving the machinery and equipment.

1 (2) The definitions, conditions, and requirements in RCW
2 82.08.02565 apply to this section.

3 **Sec. 403.** RCW 82.14.050 and 2012 1st sp.s. c 9 s 1 are each
4 amended to read as follows:

5 (1) The counties, cities, and transportation authorities under RCW
6 82.14.045, public facilities districts under chapters 36.100 and 35.57
7 RCW, public transportation benefit areas under RCW 82.14.440, regional
8 transportation investment districts, and transportation benefit
9 districts under chapter 36.73 RCW must contract, prior to the effective
10 date of a resolution or ordinance imposing a sales and use tax, the
11 administration and collection to the state department of revenue, which
12 must deduct a percentage amount, as provided by contract, not to exceed
13 two percent of the taxes collected for administration and collection
14 expenses incurred by the department. The remainder of any portion of
15 any tax authorized by this chapter that is collected by the department
16 of revenue must be deposited by the state department of revenue in the
17 local sales and use tax account hereby created in the state treasury.
18 Beginning January 1, 2013, the department of revenue must make deposits
19 in the local sales and use tax account on a monthly basis on the last
20 business day of the month in which distributions required in (a) of
21 this subsection are due. Moneys in the local sales and use tax account
22 may be withdrawn only for:

23 (a) Distribution to counties, cities, transportation authorities,
24 public facilities districts, public transportation benefit areas,
25 regional transportation investment districts, and transportation
26 benefit districts imposing a sales and use tax; and

27 (b) Making refunds of taxes imposed under the authority of this
28 chapter and RCW 81.104.170 and exempted under RCW 82.08.962 (~~and~~),
29 82.12.962, 82.08.02565, and 82.12.02565.

30 (2) All administrative provisions in chapters 82.03, 82.08, 82.12,
31 and 82.32 RCW, as they now exist or may hereafter be amended, insofar
32 as they are applicable to state sales and use taxes, are applicable to
33 taxes imposed pursuant to this chapter.

34 (3) Counties, cities, transportation authorities, public facilities
35 districts, and regional transportation investment districts may not
36 conduct independent sales or use tax audits of sellers registered under
37 the streamlined sales tax agreement.

1 (4) Except as provided in RCW 43.08.190 and subsection (5) of this
2 section, all earnings of investments of balances in the local sales and
3 use tax account must be credited to the local sales and use tax account
4 and distributed to the counties, cities, transportation authorities,
5 public facilities districts, public transportation benefit areas,
6 regional transportation investment districts, and transportation
7 benefit districts monthly.

8 (5) Beginning January 1, 2013, the state treasurer must determine
9 the amount of earnings on investments that would have been credited to
10 the local sales and use tax account if the collections had been
11 deposited in the account over the prior month. When distributions are
12 made under subsection (1)(a) of this section, the state treasurer must
13 transfer this amount from the state general fund to the local sales and
14 use tax account and must distribute such sums to the counties, cities,
15 transportation authorities, public facilities districts, public
16 transportation benefit areas, regional transportation investment
17 districts, and transportation benefit districts.

18 **Sec. 404.** RCW 82.14.060 and 2009 c 469 s 108 are each amended to
19 read as follows:

20 (1)(a) Monthly, the state treasurer must distribute from the local
21 sales and use tax account to the counties, cities, transportation
22 authorities, public facilities districts, and transportation benefit
23 districts the amount of tax collected on behalf of each taxing
24 authority, less:

25 (i) The deduction provided for in RCW 82.14.050; and

26 (ii) The amount of any refunds of local sales and use taxes
27 exempted under RCW 82.08.962 (~~and~~), 82.12.962, 82.08.02565, and
28 82.12.02565, which must be made without appropriation.

29 (b) The state treasurer (~~shall~~) must make the distribution under
30 this section without appropriation.

31 (2) In the event that any ordinance or resolution imposes a sales
32 and use tax at a rate in excess of the applicable limits contained
33 herein, such ordinance or resolution (~~shall~~) may not be considered
34 void in toto, but only with respect to that portion of the rate which
35 is in excess of the applicable limits contained herein.

1 **Sec. 405.** RCW 82.08.0261 and 1980 c 37 s 28 are each amended to
2 read as follows:

3 (1) Except as otherwise provided in this section, the tax levied by
4 RCW 82.08.020 (~~shall~~) does not apply to sales of tangible personal
5 property (other than the type referred to in RCW 82.08.0262) for use by
6 the purchaser in connection with the business of operating as a private
7 or common carrier by air, rail, or water in interstate or foreign
8 commerce(~~(:— PROVIDED, That)).~~ However, any actual use of such
9 property in this state (~~shall~~) is, at the time of such actual use,
10 (~~be~~) subject to the tax imposed by chapter 82.12 RCW.

11 (2)(a) With respect to the sale of liquefied natural gas to a
12 business operating as a private or common carrier by water in
13 interstate or foreign commerce, the buyer is entitled to a partial
14 exemption from the tax levied by RCW 82.08.020 and the associated local
15 sales taxes. The exemption under this subsection (2) is for the state
16 and local retail sales taxes on ninety percent of the amount of the
17 liquefied natural gas transported and consumed outside this state by
18 the buyer.

19 (b) Sellers are relieved of the obligation to collect the state and
20 local retail sales taxes on sales eligible for the partial exemption
21 provided in this subsection (2) to buyers who are registered with the
22 department if the seller:

23 (i) Obtains a completed exemption certificate from the buyer, which
24 must include the buyer's tax registration number with the department;
25 or

26 (ii) Captures the relevant data elements as allowed under the
27 streamlined sales and use tax agreement, including the buyer's tax
28 registration number with the department.

29 (c) Buyers entitled to a partial exemption under this subsection
30 (2) must either:

31 (i) Pay the full amount of state and local retail sales tax to the
32 seller on the sale, including the amount of tax qualifying for
33 exemption under this subsection (2), and then request a refund of the
34 exempted portion of the tax from the department within the time allowed
35 for making refunds under RCW 82.32.060; or

36 (ii) If the seller did not collect the retail sales tax from the
37 buyer, remit to the department the state and local retail sales taxes

1 due on all liquefied natural gas consumed in this state and on ten
2 percent of the liquefied natural gas that is transported and consumed
3 outside of this state.

4 (3) This section does not apply to the sale of liquefied natural
5 gas on or after July 1, 2028, for use as fuel in any marine vessel.

6 NEW SECTION. Sec. 406. A new section is added to chapter 46.68
7 RCW to read as follows:

8 (1) The finished fuel account is created in the state treasury.
9 Money received from revenues transferred under section 407 of this act
10 must be deposited into the account. Money in the account may be spent
11 only after appropriation. Funds may be used only to construct,
12 improve, repair, or rehabilitate Washington state ferry boat vessels,
13 or to convert such vessels to operate using special fuels other than
14 diesel fuel or using other alternative energy sources.

15 (2) This section expires July 1, 2028.

16 NEW SECTION. Sec. 407. A new section is added to chapter 82.32
17 RCW to read as follows:

18 (1) By the last workday of the second and fourth calendar quarters,
19 the state treasurer must transfer the amount specified in subsection
20 (2) of this section from the general fund to the finished fuel account
21 created in section 406 of this act. The first transfer under this
22 subsection must occur by December 31, 2017.

23 (2) By December 15th and by June 15th of each year, the department
24 must estimate the increase in state general fund revenues from the
25 taxes collected under RCW 82.08.0261(2)(a) on the nonexempt portion of
26 liquefied natural gas sales in the current and prior calendar quarters
27 and notify the state treasurer of the increase.

28 (3) This section expires July 1, 2028.

29 NEW SECTION. Sec. 408. A new section is added to chapter 43.135
30 RCW to read as follows:

31 (1) RCW 43.135.034(4) does not apply to the transfers under section
32 407 of this act.

33 (2) This section expires July 1, 2028.

1

Miscellaneous Provisions

2

NEW SECTION. **Sec. 601.** This act takes effect July 1, 2015."

3

Correct the title.

EFFECT: (1) Provides a detailed performance statement to assess whether the following public policy objectives have been achieved: Promoting job creation and positive economic development; lowering carbon dioxide, sulfur dioxide, nitrogen dioxide, and particulate emissions; and securing optimal liquefied natural gas pricing for the Washington state ferry system and other public entities.

(2) Converts the M&E sales tax exemption into a refund mechanism for M&E used by a gas distribution business at a LNG plant.

(3) Delays M&E refunds for a gas distribution business until July 1, 2017, and expires the M&E refund program for M&E used at a LNG plant on July 1, 2028.

(4) Requires that the Washington state ferry system and other public entities receive equivalent LNG fuel pricing from a gas distribution business selling LNG for transportation use.

(5) Narrows the exemption for sales taxes on LNG used outside the state as a marine vessel transportation fuel by 10 percent and completely expires the exemption on July 1, 2028.

(6) Deposits proceeds from the narrowed export exemptions to a new account for the purposes of funding state ferry vessel capital costs - construction, conversion, preservation, etc.

(7) Requires the Department of Revenue to convene a work group to examine the appropriate level and manner of taxing liquefied natural gas used for marine vessel transportation.

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