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**SUBSTITUTE HOUSE BILL 2794**

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**State of Washington**

**59th Legislature**

**2006 Regular Session**

**By** House Committee on Natural Resources, Ecology & Parks (originally sponsored by Representatives Chase, B. Sullivan, Dickerson, Upthegrove, Ericks, Linville, Pettigrew, Hunt, Murray, McCoy, Miloscia, Grant, Sells, Williams, Kenney, Simpson and Kagi)

READ FIRST TIME 02/03/06.

1 AN ACT Relating to minimizing the environmental cost of greenhouse  
2 gas emissions by encouraging mitigation for carbon dioxide; adding a  
3 new section to chapter 82.04 RCW; and adding new sections to chapter  
4 70.94 RCW.

5 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

6 NEW SECTION. **Sec. 1.** A new section is added to chapter 82.04 RCW  
7 to read as follows:

8 (1) In computing the tax imposed under this chapter, a credit is  
9 allowed against the amount of tax otherwise due as provided in this  
10 section for voluntary efforts to mitigate carbon dioxide emissions.

11 (2) The credit allowed under this section is one dollar for every  
12 ton of carbon emissions certified as mitigated under section 2 of this  
13 act. The total credits granted under this section may not exceed one  
14 million credits per year.

15 (3) No application is necessary for the tax credit allowed under  
16 this section. The person must keep records for the department to  
17 verify eligibility under this section, including all necessary  
18 certification documentation required under section 2 of this act.

1        NEW SECTION.    **Sec. 2.**    A new section is added to chapter 70.94 RCW  
2 to read as follows:

3        (1) The department shall generate and maintain a list of third  
4 party organizations that are qualified to certify the successful  
5 completion of carbon dioxide mitigation efforts undertaken by  
6 businesses or nonprofit organizations in order to qualify for the tax  
7 credit allowed under section 1 of this act.    The department shall  
8 maintain a list of independent qualified organizations with proven  
9 experience in emissions mitigation activities in an efficient,  
10 reliable, and cost-effective manner.

11        (2)(a) Businesses or nonprofit organizations choosing to claim the  
12 tax credit allowed under section 1 of this act must enter into a  
13 business relationship with one of the third party organizations listed  
14 by the department under subsection (1) of this section.    The terms of  
15 the relationship may not conflict with this section and must be  
16 determined by the initiating business or nonprofit organization and the  
17 third party organization.

18        (b) The third party organization shall be responsible for:

19        (i) Establishing the business or nonprofit organization's baseline  
20 carbon dioxide emissions level;

21        (ii) Working with the initiating business or nonprofit organization  
22 to establish a carbon dioxide mitigation plan that includes funding for  
23 offset projects meeting the standards for offset projects required by  
24 this section;

25        (iii) Conducting an emissions audit of the initiating business or  
26 nonprofit organization to assess the business or nonprofit  
27 organization's emitted baseline carbon dioxide equivalents, as that  
28 term is defined in RCW 80.70.010.

29        (c) The third party organizations shall certify a business or  
30 nonprofit organization if that business or nonprofit organization  
31 satisfies the requirements of this section by either directly funding  
32 and implementing specific mitigation offset projects, or by indirectly  
33 funding mitigation offset projects by providing a monetary contribution  
34 to the carbon dioxide mitigation account created in section 3 of this  
35 act.    The contribution amount required by the business or nonprofit  
36 organization shall be established by the third party organization  
37 consistent with this subsection.

1 (3) The department shall develop minimal standards for carbon  
2 dioxide mitigation offset projects to be undertaken by a business or  
3 nonprofit organization under this section. At a minimum, the standards  
4 must require that all offset projects:

5 (a) Occur or take place within the state of Washington;

6 (b) Are in addition to projects that are likely to occur in the  
7 absence of the tax credit allowed under section 1 of this act;

8 (c) Not include projects, except for project expansions, existing  
9 or undertaken before the tax year in which the tax credit was claimed;

10 (d) Are not required by any other law or regulation;

11 (e) Do not claim emissions reductions under any other greenhouse  
12 gas reduction programs; and

13 (f) Produce quantifiable and measurable results.

14 (4) The department may audit and inspect all aspects of the  
15 business relationship entered into under this section by the business  
16 or nonprofit organization and the third party organization. The  
17 department may nullify or modify any certification provided by a third  
18 party organization if the department finds that the certification does  
19 not accurately reflect the requirements of this section.

20 NEW SECTION. **Sec. 3.** A new section is added to chapter 70.94 RCW  
21 to read as follows:

22 (1) The carbon dioxide mitigation account is created in the state  
23 treasury. All receipts from businesses or nonprofit organizations  
24 choosing, under section 2 of this act, to indirectly fund carbon  
25 dioxide mitigation offset projects must be deposited into the account.  
26 Moneys in the account may only be spent after appropriation.  
27 Expenditures from the account may only be used consistent with this  
28 section.

29 (2) The department shall contract with a third party organization  
30 or organizations to locate, design, and implement carbon dioxide  
31 mitigation projects. Funding for the mitigation projects shall come  
32 from the account created in this section. All projects funded under  
33 this section must comply with the minimum standards for carbon dioxide  
34 mitigation projects adopted by the department under section 2 of this  
35 act.

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