
BILL REQUEST - CODE REVISER'S OFFICE

BILL REQ. #: I-2978.1/15

ATTY/TYPIST: JA:lel

BRIEF DESCRIPTION:

1 AN ACT Relating to taxation; amending RCW 82.04.240, 82.04.240,
2 82.04.2404, 82.08.020, and 82.08.0206; reenacting and amending RCW
3 82.32.790 and 82.04.260; adding a new chapter to Title 82 RCW; and
4 providing an effective date.

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

6 NEW SECTION. **Sec. 1.** INTENT. (1) The intent of this act is to
7 encourage sustainable economic growth with a phased-in one percentage
8 point reduction of the state sales tax, a reduction of the business
9 and occupation tax on manufacturing, and the implementation and
10 enhancement of the existing working families' sales tax exemption for
11 qualifying low-income persons, all funded by a phased-in carbon
12 pollution tax on fossil fuels sold or used in this state and on the
13 consumption or generation in this state of electricity generated by
14 the consumption of fossil fuels.

15 (2) Sections 4 through 8 of this act concern the carbon pollution
16 tax and the overall impact of this act; sections 9 through 13 of this
17 act reduce the business and occupation tax on manufacturers engaged
18 in those activities subject to the "manufacturing tax" categories
19 identified in RCW 82.04.440(5)(c)(i); section 14 of this act reduces
20 the state sales tax; and section 15 of this act modifies and
21 increases the working families' tax exemption.

1 (3) The proceeds of the carbon pollution tax are not intended to
2 be used for highway purposes and must be deposited into the state
3 general fund pursuant to RCW 82.32.380. This chapter is not intended
4 to exempt any person from tax liability under any other law.

5 NEW SECTION. **Sec. 2.** FINDINGS AND DECLARATION OF POLICY. The
6 people find that reduction of Washington state's high sales tax will
7 increase commerce in this state; reduction of the business and
8 occupation tax on manufacturers will encourage business formation and
9 expansion by reducing the burden of this tax; the implementation and
10 enhancement of the working families' sales tax exemption will provide
11 the benefits expressed at the inception of that program; and the
12 imposition of a carbon pollution tax to fund these actions will
13 establish Washington state's national leadership in addressing both
14 climate change and the acidification of the oceans.

15 NEW SECTION. **Sec. 3.** DEFINITIONS. The definitions in this
16 section apply throughout this chapter unless the context clearly
17 requires otherwise.

18 (1) "Aircraft fuel" has the same meaning as in RCW 82.42.010.

19 (2) "Carbon calculation" means a calculation made by the
20 department for purposes of calculating the tax pursuant to section 4
21 of this act. Among other resources, the department may consider
22 carbon dioxide content measurements for fossil fuels from the United
23 States energy information administration or the United States
24 environmental protection agency.

25 (3) "Carbon content inherent in electricity" means the carbon
26 dioxide generated by the production of electricity from fossil fuels.

27 (4) "Carbon pollution tax" means the tax created in section 4 of
28 this act.

29 (5) "Coal" means coal of any kind, including anthracite coal,
30 bituminous coal, subbituminous coal, lignite, waste coal, syncoal,
31 and coke of any kind.

32 (6) "Direct service industrial customer" has the same meaning as
33 provided in RCW 82.16.0495.

34 (7) "Fossil fuel" means petroleum products, motor vehicle fuel,
35 special fuel, aircraft fuel, natural gas, petroleum, coal, or any
36 form of solid, liquid, or gaseous fuel derived from these products,
37 including without limitation still gas, propane, and petroleum
38 residuals including bunker fuel.

1 (8) "Motor vehicle fuel" has the same meaning as provided in RCW
2 82.38.020.

3 (9) "Natural gas" means naturally occurring mixtures of
4 hydrocarbon gases and vapors consisting principally of methane,
5 whether in gaseous or liquid form, including methane clathrate.

6 (10) "Person" means any individual, division, or instrumentality
7 of a government, business, corporation, partnership, or trust.

8 (11) "Petroleum product" has the same meaning as in RCW
9 82.23A.010.

10 (12) "Qualified sequestration" means sequestration qualified for
11 credit pursuant to RCW 80.70.020 or in accordance with a method
12 established by the department with reference to methods approved by
13 the United States environmental protection agency or its successor.

14 (13) "Qualifying utility" means any electric utility that is:

15 (a) An "electrical company" as defined in RCW 80.04.010;

16 (b) Operating under authority of chapter 35.92 or 87.03 RCW or
17 Title 54 RCW; or

18 (c) A profit, nonprofit, cooperative, or mutual corporation
19 operating within this state for the sale or distribution of
20 electricity to others.

21 (14) "Special fuel" has the same meaning as in RCW 82.38.020 and
22 includes fuel that is sold or used to propel vessels.

23 (15) "Year" means the twelve-month period commencing January 1st
24 and ending December 31st unless otherwise specified.

25 NEW SECTION. **Sec. 4.** CARBON POLLUTION TAX. (1) There is levied
26 and the department must collect a tax upon (a) the carbon content of
27 fossil fuels sold or used within this state including, but not
28 limited to, fossil fuels sold or used for aviation or marine
29 purposes, and (b) the carbon content inherent in electricity consumed
30 within this state, including electricity that is generated within
31 Washington; imported (by way of wheeling or otherwise) into
32 Washington; or acquired from the Bonneville power administration.

33 (2) The tax rate is equal to fifteen dollars per metric ton of
34 carbon dioxide as of July 1, 2017, increasing to twenty-five dollars
35 per metric ton as of July 1, 2018, with automatic increases
36 thereafter by five and one-half percent each year beginning July 1st.

37 (3) The department must determine the tax in each case by
38 applying a carbon calculation as follows:

1 (a) For electricity consumed within the state, the department
2 must adopt by rule criteria for making the carbon calculation and
3 must consider, among other information, the reports filed pursuant to
4 section 7 of this act;

5 (b) For fossil fuels used to refine fossil fuels, the department
6 must adopt by rule criteria for making the carbon calculation and
7 must consider, among other information, the reports filed pursuant to
8 section 7 of this act; and

9 (c) For all other fossil fuels sold or used in Washington by any
10 person, the department must adopt by rule criteria for making the
11 carbon calculation.

12 (4) The department must adopt rules and provide forms with
13 respect to the reporting of consumption of fossil fuels as follows:

14 (a) Motor vehicle fuel, in accordance with and at the intervals
15 provided in chapter 82.36 RCW;

16 (b) Special fuel, in accordance with and at the intervals
17 provided in chapter 82.36 RCW, and to the extent not covered therein,
18 then in accordance with chapter 82.38 RCW;

19 (c) Aircraft fuel, in accordance with and at the intervals
20 provided in chapter 82.42 RCW;

21 (d) Every other product derived from the refining of crude oil as
22 defined in chapter 82.23A RCW, in accordance with and at the
23 intervals provided in chapter 82.23A RCW;

24 (e) Fossil fuels not listed elsewhere in this subsection, in
25 accordance with chapters 82.08 and 82.12 RCW unless expressly
26 provided otherwise in this section; and

27 (f) Carbon dioxide emanating into the atmosphere as a result of
28 the consumption of fossil fuels in refineries must be reported by
29 each refinery operator as provided in section 7 of this act, and the
30 tax on the carbon reported thereon must be paid to the department
31 within fifteen days thereafter in accordance with regulations adopted
32 by the department.

33 (5) The department must adopt rules and provide forms with
34 respect to the reporting of electricity generated by the consumption
35 of fossil fuels as required in section 7 of this act. The department
36 and the department of commerce may cooperate to adopt a consolidated
37 form to be submitted to both departments.

38 (6) The carbon pollution tax must be reduced or refunded for uses
39 of fossil fuels that can be demonstrated not to contribute to
40 increasing the atmospheric carbon dioxide concentration, for example

1 by reason of qualified sequestration. The tax reduction in such cases
2 must be proportional to the fraction of emissions that can be
3 demonstrated not to contribute to increasing the atmospheric carbon
4 dioxide concentration. The right to carbon pollution tax reduction
5 under this subsection may not be transferred, traded, or banked.

6 (7) The department must adopt rules as necessary to implement the
7 carbon pollution tax provided for in this section. The department
8 must develop and make available worksheets and guidance documents
9 necessary to calculate the carbon pollution tax for various fossil
10 fuels.

11 (8) In relation to the tax on the consumption of electricity, the
12 tax imposed in this chapter is on the consumer of the electricity,
13 but if the seller is located within the state, that seller must
14 collect from the consumer the full amount of the tax. If any seller
15 fails to collect the tax imposed in this chapter or, having collected
16 the tax, fails to pay it to the department as required, the seller is
17 nevertheless liable to the state for the amount of the tax.

18 NEW SECTION. **Sec. 5.** EXEMPTIONS, PHASE-INS, AND CREDITS. (1)

19 The tax levied under section 4 of this act does not apply to:

20 (a) Fossil fuels brought into this state by means of the fuel
21 supply tank of a motor vehicle, vessel, locomotive, or aircraft;

22 (b) Fuel that the state is prohibited from taxing under the
23 Constitution of this state or the Constitution or laws of the United
24 States; or

25 (c) Fuel intended for export outside this state. Export to a
26 federally recognized Indian tribal reservation located within this
27 state is not considered export outside this state.

28 (2)(a) The tax levied under section 4 of this act is phased-in as
29 described in this subsection for:

30 (i) Diesel fuel, biodiesel fuel, or aircraft fuel used solely for
31 agricultural purposes, as those terms are defined in RCW 82.08.865.
32 This phase-in is available only if the buyer provides the seller with
33 a certificate in a form and manner prescribed by the department;

34 (ii) Fuel that is purchased for the purpose of public
35 transportation and for which the purchaser is entitled to a refund or
36 an exemption under RCW 82.38.080(1) (f) and (g) or 82.38.180(3)(b);

37 (iii) Fuel that is purchased by a private, nonprofit
38 transportation provider certified under chapter 81.66 RCW and for

1 which the purchaser is entitled to a refund or an exemption under RCW
2 82.38.080(1)(d) or 82.38.180(3)(a);

3 (iv) Fuel purchased by the Washington state ferry system for use
4 in a state-owned ferry; and

5 (v) Fuel purchased for school buses defined in RCW 46.04.521 and
6 used for the purposes therein set forth.

7 (b) The tax rate for these fuels will be five percent of the rate
8 described in section 4 of this act effective July 1, 2017, ten
9 percent of the rate described in section 4 of this act effective July
10 1, 2019, and continuing to increase thereafter at five percentage
11 points per biennium until it reaches one hundred percent of the rate
12 described in section 4 of this act effective July 1, 2055.

13 (3) Nothing in this chapter may be construed to exempt the state
14 or any political subdivision thereof from the payment of the tax.

15 (4) The tax is imposed only once and at the time and place of the
16 first taxable event and upon the first taxable person within this
17 state. If a person pays the tax imposed under this chapter on fuel
18 that is consumed in the generation of electricity, the electricity so
19 generated or used will not be subject to the tax imposed under this
20 chapter provided that the department receives evidence, pursuant to
21 rules adopted by the department, that the tax has been paid by the
22 person using the fuel to generate electricity.

23 (5) Persons taxable under this chapter with respect to
24 electricity consumed in this state but generated in another state are
25 allowed a credit against those taxes for any similar carbon pollution
26 taxes paid to that other state on the fossil fuels consumed in the
27 generation of that electricity. The amount of the credit may not
28 exceed the tax liability arising under this chapter with respect to
29 the consumption of that electricity in this state. Persons claiming
30 this credit must provide the department with evidence, pursuant to
31 rules adopted by the department, that the tax has been paid to
32 another state.

33 NEW SECTION. **Sec. 6.** PROCEDURE. The provisions of chapter 82.32
34 RCW apply to this chapter. If there is a conflict between a provision
35 in this chapter and a provision of chapter 82.32 RCW, the provision
36 in this chapter controls.

37 NEW SECTION. **Sec. 7.** REPORTS BY UTILITIES, ELECTRICITY USERS,
38 AND REFINERIES. (1) Each utility and each user of electricity not

1 generated in-state and not acquired from a qualifying utility must
2 file with the department by the tenth day of each month a fuel mix
3 report containing the information contained in RCW 19.29A.060 and
4 such other information as the department may require for purposes of
5 this chapter for the previous calendar month together with the tax
6 calculated thereon based on tax tables adopted by the department. If
7 a utility or an electricity user reports electricity products
8 comprised of no declared resources as described in RCW
9 19.29A.060(1)(b) or otherwise fails to provide the source of the
10 resources that provide the electricity, the department must assume
11 the carbon content inherent in that electricity to be one metric ton
12 of carbon dioxide per megawatt-hour.

13 (2) Persons using fossil fuels to refine fossil fuels must file
14 with the department by the tenth day of each month a fuel use report
15 similar to the United States environmental protection agency facility
16 level information on greenhouse gases tool report containing their
17 fossil fuel carbon dioxide emissions and such other information as
18 the department may require for purposes of this chapter for the
19 previous calendar month together with the tax calculated thereon
20 based on tax tables adopted by the department.

21 (3) If the information required in subsection (1) or (2) of this
22 section is not available, the utility, electricity user, or refinery
23 may file an interim report based on estimates together with an
24 estimated payment based thereon and then file a final report at a
25 later date. Interest and penalties on underpayments are to be imposed
26 in accordance with chapter 82.32 RCW.

27 NEW SECTION. **Sec. 8.** REPORT BY DEPARTMENT. On or before
28 December 31st of each year from 2017 through 2027 and biennially
29 thereafter, the department must submit a report to the governor and
30 the legislature containing the following with respect to the annual
31 or biennial period ending July 1st immediately preceding the
32 reporting date, annualized if in a biennial report:

33 (1) The total carbon pollution tax collected during the reporting
34 period;

35 (2) The total revenue foregone by the state resulting from
36 disbursements made under the working families tax exemption and
37 resulting from reductions in sales taxes, use taxes, and business and
38 occupation taxes enacted under this chapter, with the business and
39 occupation tax reductions measured both relative to the rates

1 applicable on January 1, 2017, and to the rates applicable during the
2 annual or biennial period ending the July 1st immediately preceding
3 the reporting date;

4 (3) The revenue foregone by the state resulting from the phase-
5 ins described in section 5 of this act, with a separate amount given
6 for each subsection in section 5(2)(a) of this act;

7 (4) Costs directly associated with administration of the carbon
8 pollution tax shown both in dollar amounts and as a percentage of the
9 state general fund; and

10 (5) The overall net revenue gain or loss calculated by comparison
11 of subsections (1) and (2) of this section in dollar amounts and as a
12 percentage of the state general fund.

13 **Sec. 9.** RCW 82.04.240 and 2004 c 24 s 4 are each amended to read
14 as follows:

15 (1) Upon every person engaging within this state in business as a
16 manufacturer, except persons taxable as manufacturers under other
17 provisions of this chapter; as to such persons the amount of the tax
18 with respect to such business (~~shall be~~) is equal to the value of
19 the products, including byproducts, manufactured, multiplied by the
20 rate of (~~0.484~~) 0.001 percent.

21 (2) The measure of the tax is the value of the products,
22 including byproducts, so manufactured regardless of the place of sale
23 or the fact that deliveries may be made to points outside the state.

24 **Sec. 10.** RCW 82.04.240 and 2010 c 114 s 104 are each amended to
25 read as follows:

26 (1) Upon every person engaging within this state in business as a
27 manufacturer, except persons taxable as manufacturers under other
28 provisions of this chapter; as to such persons the amount of the tax
29 with respect to such business is equal to the value of the products,
30 including byproducts, manufactured, multiplied by the rate of
31 (~~0.484~~) 0.001 percent.

32 (2)(a) Upon every person engaging within this state in the
33 business of manufacturing semiconductor materials, as to such persons
34 the amount of tax with respect to such business is, in the case of
35 manufacturers, equal to the value of the product manufactured, or, in
36 the case of processors for hire, equal to the gross income of the
37 business, multiplied by the rate of (~~0.275~~) 0.001 percent. For the
38 purposes of this subsection "semiconductor materials" means silicon

1 crystals, silicon ingots, raw polished semiconductor wafers, compound
2 semiconductors, integrated circuits, and microchips.

3 (b) A person reporting under the tax rate provided in this
4 subsection (2) must file a complete annual report with the department
5 under RCW 82.32.534.

6 (c) This subsection (2) expires twelve years after the effective
7 date of this act.

8 (3) The measure of the tax is the value of the products,
9 including byproducts, so manufactured regardless of the place of sale
10 or the fact that deliveries may be made to points outside the state.

11 **Sec. 11.** RCW 82.32.790 and 2010 c 114 s 201 are each reenacted
12 and amended to read as follows:

13 (1)(a) Section 10, chapter ..., Laws of 2015 (section 10 of this
14 act), section 206, chapter 106, Laws of 2010, sections 104, 110, 117,
15 123, 125, 129, 131, and 150, chapter 114, Laws of 2010, section 3,
16 chapter 461, Laws of 2009, section 7, chapter 300, Laws of 2006, and
17 section 4, chapter 149, Laws of 2003 are contingent upon the siting
18 and commercial operation of a significant semiconductor microchip
19 fabrication facility in the state of Washington.

20 (b) For the purposes of this section:

21 (i) "Commercial operation" means the same as "commencement of
22 commercial production" as used in RCW 82.08.965.

23 (ii) "Semiconductor microchip fabrication" means "manufacturing
24 semiconductor microchips" as defined in RCW 82.04.426.

25 (iii) "Significant" means the combined investment of new
26 buildings and new machinery and equipment in the buildings, at the
27 commencement of commercial production, will be at least one billion
28 dollars.

29 (2) Chapter 149, Laws of 2003 takes effect the first day of the
30 month in which a contract for the construction of a significant
31 semiconductor fabrication facility is signed, as determined by the
32 director of the department of revenue.

33 (3)(a) The department of revenue must provide notice of the
34 effective date of section 10, chapter ..., Laws of 2015 (section 10
35 of this act), section 206, chapter 106, Laws of 2010, sections 104,
36 110, 117, 123, 125, 129, 131, and 150, chapter 114, Laws of
37 2010(~~+~~), section 3, chapter 461, Laws of 2009, section 7, chapter
38 300, Laws of 2006, and section 4, chapter 149, Laws of 2003 to

1 affected taxpayers, the legislature, and others as deemed appropriate
2 by the department.

3 (b) If, after making a determination that a contract has been
4 signed and chapter 149, Laws of 2003 is effective, the department
5 discovers that commencement of commercial production did not take
6 place within three years of the date the contract was signed, the
7 department must make a determination that chapter 149, Laws of 2003
8 is no longer effective, and all taxes that would have been otherwise
9 due are deemed deferred taxes and are immediately assessed and
10 payable from any person reporting tax under RCW 82.04.240(2) or
11 claiming an exemption or credit under section 2 or 5 through 10,
12 chapter 149, Laws of 2003. The department is not authorized to make a
13 second determination regarding the effective date of chapter 149,
14 Laws of 2003.

15 **Sec. 12.** RCW 82.04.2404 and 2010 c 114 s 105 are each amended to
16 read as follows:

17 (1) Upon every person engaging within this state in the business
18 of manufacturing or processing for hire semiconductor materials, as
19 to such persons the amount of tax with respect to such business is,
20 in the case of manufacturers, equal to the value of the product
21 manufactured, or, in the case of processors for hire, equal to the
22 gross income of the business, multiplied by the rate of (~~0.275~~)
23 0.001 percent.

24 (2) For the purposes of this section "semiconductor materials"
25 means silicon crystals, silicon ingots, raw polished semiconductor
26 wafers, and compound semiconductor wafers.

27 (3) A person reporting under the tax rate provided in this
28 section must file a complete annual report with the department under
29 RCW 82.32.534.

30 (4) This section expires December 1, 2018.

31 **Sec. 13.** RCW 82.04.260 and 2014 c 140 s 6 and 2014 c 140 s 4 are
32 each reenacted and amended to read as follows:

33 (1) Upon every person engaging within this state in the business
34 of manufacturing:

35 (a) Wheat into flour, barley into pearl barley, soybeans into
36 soybean oil, canola into canola oil, canola meal, or canola by-
37 products, or sunflower seeds into sunflower oil; as to such persons
38 the amount of tax with respect to such business is equal to the value

1 of the flour, pearl barley, oil, canola meal, or canola by-product
2 manufactured, multiplied by the rate of (~~0.138~~) 0.001 percent;

3 (b) Beginning July 1, 2015, seafood products that remain in a
4 raw, raw frozen, or raw salted state at the completion of the
5 manufacturing by that person; or selling manufactured seafood
6 products that remain in a raw, raw frozen, or raw salted state at the
7 completion of the manufacturing, to purchasers who transport in the
8 ordinary course of business the goods out of this state; as to such
9 persons the amount of tax with respect to such business is equal to
10 the value of the products manufactured or the gross proceeds derived
11 from such sales, multiplied by the rate of (~~0.138~~) 0.001 percent.
12 Sellers must keep and preserve records for the period required by RCW
13 82.32.070 establishing that the goods were transported by the
14 purchaser in the ordinary course of business out of this state;

15 (c)(i) Beginning July 1, 2015, dairy products; or selling dairy
16 products that the person has manufactured to purchasers who either
17 transport in the ordinary course of business the goods out of state
18 or purchasers who use such dairy products as an ingredient or
19 component in the manufacturing of a dairy product; as to such persons
20 the tax imposed is equal to the value of the products manufactured or
21 the gross proceeds derived from such sales multiplied by the rate of
22 (~~0.138~~) 0.001 percent. Sellers must keep and preserve records for
23 the period required by RCW 82.32.070 establishing that the goods were
24 transported by the purchaser in the ordinary course of business out
25 of this state or sold to a manufacturer for use as an ingredient or
26 component in the manufacturing of a dairy product.

27 (ii) For the purposes of this subsection (1)(c), "dairy products"
28 means:

29 (A) Products, not including any marijuana-infused product, that
30 as of September 20, 2001, are identified in 21 C.F.R., chapter 1,
31 parts 131, 133, and 135, including by-products from the manufacturing
32 of the dairy products, such as whey and casein; and

33 (B) Products comprised of not less than seventy percent dairy
34 products that qualify under (c)(ii)(A) of this subsection, measured
35 by weight or volume.

36 (iii) The preferential tax rate provided to taxpayers under this
37 subsection (1)(c) does not apply to sales of dairy products on or
38 after July 1, 2023, where a dairy product is used by the purchaser as
39 an ingredient or component in the manufacturing in Washington of a
40 dairy product;

1 (d)(i) Beginning July 1, 2015, fruits or vegetables by canning,
2 preserving, freezing, processing, or dehydrating fresh fruits or
3 vegetables, or selling at wholesale fruits or vegetables manufactured
4 by the seller by canning, preserving, freezing, processing, or
5 dehydrating fresh fruits or vegetables and sold to purchasers who
6 transport in the ordinary course of business the goods out of this
7 state; as to such persons the amount of tax with respect to such
8 business is equal to the value of the products manufactured or the
9 gross proceeds derived from such sales multiplied by the rate of
10 ~~((0.138))~~ 0.001 percent. Sellers must keep and preserve records for
11 the period required by RCW 82.32.070 establishing that the goods were
12 transported by the purchaser in the ordinary course of business out
13 of this state.

14 (ii) For purposes of this subsection (1)(d), "fruits" and
15 "vegetables" do not include marijuana, useable marijuana, or
16 marijuana-infused products;

17 (e) Until July 1, 2009, alcohol fuel, biodiesel fuel, or
18 biodiesel feedstock, as those terms are defined in RCW 82.29A.135; as
19 to such persons the amount of tax with respect to the business is
20 equal to the value of alcohol fuel, biodiesel fuel, or biodiesel
21 feedstock manufactured, multiplied by the rate of ~~((0.138))~~ 0.001
22 percent; and

23 (f) Wood biomass fuel as defined in RCW 82.29A.135; as to such
24 persons the amount of tax with respect to the business is equal to
25 the value of wood biomass fuel manufactured, multiplied by the rate
26 of ~~((0.138))~~ 0.001 percent.

27 (2) Upon every person engaging within this state in the business
28 of splitting or processing dried peas; as to such persons the amount
29 of tax with respect to such business is equal to the value of the
30 peas split or processed, multiplied by the rate of ~~((0.138))~~ 0.001
31 percent.

32 (3) Upon every nonprofit corporation and nonprofit association
33 engaging within this state in research and development, as to such
34 corporations and associations, the amount of tax with respect to such
35 activities is equal to the gross income derived from such activities
36 multiplied by the rate of 0.484 percent.

37 (4) Upon every person engaging within this state in the business
38 of slaughtering, breaking and/or processing perishable meat products
39 and/or selling the same at wholesale only and not at retail; as to

1 such persons the tax imposed is equal to the gross proceeds derived
2 from such sales multiplied by the rate of (~~(0.138)~~) 0.001 percent.

3 (5) Upon every person engaging within this state in the business
4 of acting as a travel agent or tour operator; as to such persons the
5 amount of the tax with respect to such activities is equal to the
6 gross income derived from such activities multiplied by the rate of
7 0.275 percent.

8 (6) Upon every person engaging within this state in business as
9 an international steamship agent, international customs house broker,
10 international freight forwarder, vessel and/or cargo charter broker
11 in foreign commerce, and/or international air cargo agent; as to such
12 persons the amount of the tax with respect to only international
13 activities is equal to the gross income derived from such activities
14 multiplied by the rate of 0.275 percent.

15 (7) Upon every person engaging within this state in the business
16 of stevedoring and associated activities pertinent to the movement of
17 goods and commodities in waterborne interstate or foreign commerce;
18 as to such persons the amount of tax with respect to such business is
19 equal to the gross proceeds derived from such activities multiplied
20 by the rate of 0.275 percent. Persons subject to taxation under this
21 subsection are exempt from payment of taxes imposed by chapter 82.16
22 RCW for that portion of their business subject to taxation under this
23 subsection. Stevedoring and associated activities pertinent to the
24 conduct of goods and commodities in waterborne interstate or foreign
25 commerce are defined as all activities of a labor, service or
26 transportation nature whereby cargo may be loaded or unloaded to or
27 from vessels or barges, passing over, onto or under a wharf, pier, or
28 similar structure; cargo may be moved to a warehouse or similar
29 holding or storage yard or area to await further movement in import
30 or export or may move to a consolidation freight station and be
31 stuffed, unstuffed, containerized, separated or otherwise segregated
32 or aggregated for delivery or loaded on any mode of transportation
33 for delivery to its consignee. Specific activities included in this
34 definition are: Wharfage, handling, loading, unloading, moving of
35 cargo to a convenient place of delivery to the consignee or a
36 convenient place for further movement to export mode; documentation
37 services in connection with the receipt, delivery, checking, care,
38 custody and control of cargo required in the transfer of cargo;
39 imported automobile handling prior to delivery to consignee; terminal
40 stevedoring and incidental vessel services, including but not limited

1 to plugging and unplugging refrigerator service to containers,
2 trailers, and other refrigerated cargo receptacles, and securing ship
3 hatch covers.

4 (8)(a) Upon every person engaging within this state in the
5 business of disposing of low-level waste, as defined in RCW
6 43.145.010; as to such persons the amount of the tax with respect to
7 such business is equal to the gross income of the business, excluding
8 any fees imposed under chapter 43.200 RCW, multiplied by the rate of
9 3.3 percent.

10 (b) If the gross income of the taxpayer is attributable to
11 activities both within and without this state, the gross income
12 attributable to this state must be determined in accordance with the
13 methods of apportionment required under RCW 82.04.460.

14 (9) Upon every person engaging within this state as an insurance
15 producer or title insurance agent licensed under chapter 48.17 RCW or
16 a surplus line broker licensed under chapter 48.15 RCW; as to such
17 persons, the amount of the tax with respect to such licensed
18 activities is equal to the gross income of such business multiplied
19 by the rate of 0.484 percent.

20 (10) Upon every person engaging within this state in business as
21 a hospital, as defined in chapter 70.41 RCW, that is operated as a
22 nonprofit corporation or by the state or any of its political
23 subdivisions, as to such persons, the amount of tax with respect to
24 such activities is equal to the gross income of the business
25 multiplied by the rate of 0.75 percent through June 30, 1995, and 1.5
26 percent thereafter.

27 (11)(a) Beginning October 1, 2005, upon every person engaging
28 within this state in the business of manufacturing commercial
29 airplanes, or components of such airplanes, or making sales, at
30 retail or wholesale, of commercial airplanes or components of such
31 airplanes, manufactured by the seller, as to such persons the amount
32 of tax with respect to such business is, in the case of
33 manufacturers, equal to the value of the product manufactured and the
34 gross proceeds of sales of the product manufactured, or in the case
35 of processors for hire, equal to the gross income of the business,
36 multiplied by the rate of:

37 (i) 0.4235 percent from October 1, 2005, through June 30, 2007;
38 and

39 (ii) (~~0.2904~~) 0.001 percent beginning July 1, 2007.

1 (b) Beginning July 1, 2008, upon every person who is not eligible
2 to report under the provisions of (a) of this subsection (11) and is
3 engaging within this state in the business of manufacturing tooling
4 specifically designed for use in manufacturing commercial airplanes
5 or components of such airplanes, or making sales, at retail or
6 wholesale, of such tooling manufactured by the seller, as to such
7 persons the amount of tax with respect to such business is, in the
8 case of manufacturers, equal to the value of the product manufactured
9 and the gross proceeds of sales of the product manufactured, or in
10 the case of processors for hire, be equal to the gross income of the
11 business, multiplied by the rate of (~~0.2904~~) 0.001 percent.

12 (c) For the purposes of this subsection (11), "commercial
13 airplane" and "component" have the same meanings as provided in RCW
14 82.32.550.

15 (d) In addition to all other requirements under this title, a
16 person reporting under the tax rate provided in this subsection (11)
17 must file a complete annual report with the department under RCW
18 82.32.534.

19 (e)(i) Except as provided in (e)(ii) of this subsection (11),
20 this subsection (11) does not apply on and after July 1, 2040.

21 (ii) With respect to the manufacturing of commercial airplanes or
22 making sales, at retail or wholesale, of commercial airplanes, this
23 subsection (11) does not apply on and after July 1st of the year in
24 which the department makes a determination that any final assembly or
25 wing assembly of any version or variant of a commercial airplane that
26 is the basis of a siting of a significant commercial airplane
27 manufacturing program in the state under RCW 82.32.850 has been sited
28 outside the state of Washington. This subsection (11)(e)(ii) only
29 applies to the manufacturing or sale of commercial airplanes that are
30 the basis of a siting of a significant commercial airplane
31 manufacturing program in the state under RCW 82.32.850.

32 (12)(a) Until July 1, 2024, upon every person engaging within
33 this state in the business of extracting timber or extracting for
34 hire timber; as to such persons the amount of tax with respect to the
35 business is, in the case of extractors, equal to the value of
36 products, including by-products, extracted, or in the case of
37 extractors for hire, equal to the gross income of the business,
38 multiplied by the rate of 0.4235 percent from July 1, 2006, through
39 June 30, 2007, and 0.2904 percent from July 1, 2007, through June 30,
40 2024.

1 (b) Until July 1, 2024, upon every person engaging within this
2 state in the business of manufacturing or processing for hire: (i)
3 Timber into timber products or wood products; or (ii) timber products
4 into other timber products or wood products; as to such persons the
5 amount of the tax with respect to the business is, in the case of
6 manufacturers, equal to the value of products, including by-products,
7 manufactured, or in the case of processors for hire, equal to the
8 gross income of the business, multiplied by the rate of 0.4235
9 percent from July 1, 2006, through June 30, 2007, and (~~0.2904~~)
10 0.001 percent from July 1, 2007, through June 30, 2024.

11 (c) Until July 1, 2024, upon every person engaging within this
12 state in the business of selling at wholesale: (i) Timber extracted
13 by that person; (ii) timber products manufactured by that person from
14 timber or other timber products; or (iii) wood products manufactured
15 by that person from timber or timber products; as to such persons the
16 amount of the tax with respect to the business is equal to the gross
17 proceeds of sales of the timber, timber products, or wood products
18 multiplied by the rate of 0.4235 percent from July 1, 2006, through
19 June 30, 2007, and 0.2904 percent from July 1, 2007, through June 30,
20 2024.

21 (d) Until July 1, 2024, upon every person engaging within this
22 state in the business of selling standing timber; as to such persons
23 the amount of the tax with respect to the business is equal to the
24 gross income of the business multiplied by the rate of 0.2904
25 percent. For purposes of this subsection (12)(d), "selling standing
26 timber" means the sale of timber apart from the land, where the buyer
27 is required to sever the timber within thirty months from the date of
28 the original contract, regardless of the method of payment for the
29 timber and whether title to the timber transfers before, upon, or
30 after severance.

31 (e) For purposes of this subsection, the following definitions
32 apply:

33 (i) "Biocomposite surface products" means surface material
34 products containing, by weight or volume, more than fifty percent
35 recycled paper and that also use nonpetroleum-based phenolic resin as
36 a bonding agent.

37 (ii) "Paper and paper products" means products made of interwoven
38 cellulosic fibers held together largely by hydrogen bonding. "Paper
39 and paper products" includes newsprint; office, printing, fine, and
40 pressure-sensitive papers; paper napkins, towels, and toilet tissue;

1 kraft bag, construction, and other kraft industrial papers;
2 paperboard, liquid packaging containers, containerboard, corrugated,
3 and solid-fiber containers including linerboard and corrugated
4 medium; and related types of cellulosic products containing
5 primarily, by weight or volume, cellulosic materials. "Paper and
6 paper products" does not include books, newspapers, magazines,
7 periodicals, and other printed publications, advertising materials,
8 calendars, and similar types of printed materials.

9 (iii) "Recycled paper" means paper and paper products having
10 fifty percent or more of their fiber content that comes from
11 postconsumer waste. For purposes of this subsection (12)(e)(iii),
12 "postconsumer waste" means a finished material that would normally be
13 disposed of as solid waste, having completed its life cycle as a
14 consumer item.

15 (iv) "Timber" means forest trees, standing or down, on privately
16 or publicly owned land. "Timber" does not include Christmas trees
17 that are cultivated by agricultural methods or short-rotation
18 hardwoods as defined in RCW 84.33.035.

19 (v) "Timber products" means:

20 (A) Logs, wood chips, sawdust, wood waste, and similar products
21 obtained wholly from the processing of timber, short-rotation
22 hardwoods as defined in RCW 84.33.035, or both;

23 (B) Pulp, including market pulp and pulp derived from recovered
24 paper or paper products; and

25 (C) Recycled paper, but only when used in the manufacture of
26 biocomposite surface products.

27 (vi) "Wood products" means paper and paper products; dimensional
28 lumber; engineered wood products such as particleboard, oriented
29 strand board, medium density fiberboard, and plywood; wood doors;
30 wood windows; and biocomposite surface products.

31 (f) Except for small harvesters as defined in RCW 84.33.035, a
32 person reporting under the tax rate provided in this subsection (12)
33 must file a complete annual survey with the department under RCW
34 82.32.585.

35 (13) Upon every person engaging within this state in inspecting,
36 testing, labeling, and storing canned salmon owned by another person,
37 as to such persons, the amount of tax with respect to such activities
38 is equal to the gross income derived from such activities multiplied
39 by the rate of 0.484 percent.

1 (14)(a) Upon every person engaging within this state in the
2 business of printing a newspaper, publishing a newspaper, or both,
3 the amount of tax on such business is equal to the gross income of
4 the business multiplied by the rate of 0.2904 percent.

5 (b) A person reporting under the tax rate provided in this
6 subsection (14) must file a complete annual report with the
7 department under RCW 82.32.534.

8 **Sec. 14.** RCW 82.08.020 and 2014 c 140 s 12 are each amended to
9 read as follows:

10 (1) There is levied and collected a tax equal to six and five-
11 tenths percent, decreasing to six percent beginning July 1, 2017, and
12 to five and five-tenths percent beginning July 1, 2018, of the
13 selling price on each retail sale in this state of:

14 (a) Tangible personal property, unless the sale is specifically
15 excluded from the RCW 82.04.050 definition of retail sale;

16 (b) Digital goods, digital codes, and digital automated services,
17 if the sale is included within the RCW 82.04.050 definition of retail
18 sale;

19 (c) Services, other than digital automated services, included
20 within the RCW 82.04.050 definition of retail sale;

21 (d) Extended warranties to consumers; and

22 (e) Anything else, the sale of which is included within the RCW
23 82.04.050 definition of retail sale.

24 (2) There is levied and collected an additional tax on each
25 retail car rental, regardless of whether the vehicle is licensed in
26 this state, equal to five and nine-tenths percent of the selling
27 price. The revenue collected under this subsection must be deposited
28 in the multimodal transportation account created in RCW 47.66.070.

29 (3) Beginning July 1, 2003, there is levied and collected an
30 additional tax of three-tenths of one percent of the selling price on
31 each retail sale of a motor vehicle in this state, other than retail
32 car rentals taxed under subsection (2) of this section. The revenue
33 collected under this subsection must be deposited in the multimodal
34 transportation account created in RCW 47.66.070.

35 (4) For purposes of subsection (3) of this section, "motor
36 vehicle" has the meaning provided in RCW 46.04.320, but does not
37 include:

1 (a) Farm tractors or farm vehicles as defined in RCW 46.04.180
2 and 46.04.181, unless the farm tractor or farm vehicle is for use in
3 the production of marijuana;

4 (b) Off-road vehicles as defined in RCW 46.04.365;

5 (c) Nonhighway vehicles as defined in RCW 46.09.310; and

6 (d) Snowmobiles as defined in RCW 46.04.546.

7 (5) Beginning on December 8, 2005, 0.16 percent of the taxes
8 collected under subsection (1) of this section must be dedicated to
9 funding comprehensive performance audits required under RCW
10 43.09.470. The revenue identified in this subsection must be
11 deposited in the performance audits of government account created in
12 RCW 43.09.475.

13 (6) The taxes imposed under this chapter apply to successive
14 retail sales of the same property.

15 (7) The rates provided in this section apply to taxes imposed
16 under chapter 82.12 RCW as provided in RCW 82.12.020.

17 **Sec. 15.** RCW 82.08.0206 and 2008 c 325 s 2 are each amended to
18 read as follows:

19 (1) A working families' tax exemption, in the form of a
20 remittance tax due under this chapter and chapter 82.12 RCW, is
21 provided to eligible low-income persons for sales taxes paid under
22 this chapter after January 1, 2008.

23 (2) For purposes of the exemption in this section, an eligible
24 low-income person is:

25 (a) An individual(~~(, or an individual and that individual's~~
26 ~~spouse if they file a federal joint income tax return)) who is alive
27 at the time of filing of a complete application for remittance under
28 subsection (3) of this section;~~

29 (b) (~~{An individual who}~~) An individual who is eligible for,
30 and (~~{is granted}~~) has claimed, the credit provided in Title 26
31 U.S.C. Sec. 32; and

32 (c) (~~{An individual who}~~) An individual who properly files a
33 federal income tax return as a Washington resident, and has been a
34 resident of the state of Washington more than one hundred eighty days
35 of the year for which the exemption is claimed.

36 (3) For remittances made in 2009 and 2010, the working families'
37 tax exemption for the prior year is a retail sales tax exemption
38 equal to the greater of five percent of the credit (~~{granted as a~~
39 ~~result of}~~) claimed and claimable under Title 26 U.S.C. Sec. 32 of

1 the federal internal revenue code in the most recent year for which
2 data is available or twenty-five dollars. For ~~((2011 and thereafter))~~
3 2017, the working families' tax exemption for the prior year is equal
4 to the greater of ~~((ten))~~ fifteen percent of the credit ~~((granted as~~
5 ~~a result of))~~ claimed and claimable under Title 26 U.S.C. Sec. 32 of
6 the federal internal revenue code in the most recent year for which
7 ~~((data is available or fifty))~~ the applicant has filed a federal
8 income tax return with the internal revenue service or one hundred
9 dollars. For 2018 and thereafter, the working families' tax exemption
10 for the prior year is equal to the greater of twenty-five percent of
11 the credit claimed and claimable under 26 U.S.C. Sec. 32 of the
12 federal internal revenue code in the most recent year for which the
13 applicant has filed a federal income tax return with the internal
14 revenue service or one hundred dollars.

15 (4) ~~((For any fiscal period, the working families' tax exemption~~
16 ~~authorized under this section shall must be approved by the~~
17 ~~legislature in the state omnibus appropriations act before persons~~
18 ~~may claim the exemption during the fiscal period.~~

19 ~~(5))~~ The working families' tax exemption ~~((shall))~~ must be
20 administered as provided in this subsection.

21 (a) An eligible low-income person claiming an exemption under
22 this section must pay the tax imposed under chapters 82.08, 82.12,
23 and 82.14 RCW in the year for which the exemption is claimed. The
24 eligible low-income person may then apply to the department for the
25 remittance as calculated under subsection (3) of this section.

26 (b) Application ~~((shall))~~ must be made to the department under
27 penalty of perjury and must include a true and complete copy of the
28 applicant's federal income tax return to which the application
29 pertains including the applicant's claim under 26 U.S.C. Sec. 32 of
30 the federal internal revenue code, all in a form and manner
31 determined by the department, but the department must provide
32 alternative filing methods for applicants who do not have access to
33 electronic filing. Application for the exemption remittance under
34 this section must include authorizing the department to make such
35 inquiries and obtain such information from the internal revenue
36 service as the department may deem necessary or appropriate to verify
37 the information set forth in the application for the exemption
38 remittance.

39 (c) Application for the exemption remittance under this section
40 must be made in the year following the year for which the federal

1 return was filed, but in no case may any remittance be provided for
2 any period before January 1, 2008. The department may use the best
3 available data to process the exemption remittance. The department
4 (~~shall~~) must begin accepting applications October 1, 2009.

5 (d) The department (~~shall~~) must review the application and
6 determine eligibility for the working families' tax exemption based
7 on information provided by the applicant and through audit and other
8 administrative records, including, when it deems it necessary,
9 verification through internal revenue service data.

10 (e) The department (~~shall~~) must remit the exempted amounts to
11 eligible low-income persons who submitted applications. Remittances
12 may be made by electronic funds transfer or other means.

13 (f) The department may, in conjunction with other agencies or
14 organizations, design and implement a public information campaign to
15 inform potentially eligible persons of the existence of and
16 requirements for this exemption.

17 (g) The department may contact persons who appear to be eligible
18 low-income persons as a result of information received from the
19 internal revenue service under such conditions and requirements as
20 the internal revenue service may by law require.

21 (~~(+6)~~) (5) The provisions of chapter 82.32 RCW apply to the
22 exemption in this section.

23 (~~(+7)~~) (6) The department may adopt rules necessary to implement
24 this section.

25 (~~(+8) The department shall limit its costs for the exemption
26 program to the initial start-up costs to implement the program. The
27 state omnibus appropriations act shall specify funding to be used for
28 the ongoing administrative costs of the program. These ongoing
29 administrative costs include, but are not limited to, costs for: The
30 processing of internet and mail applications, verification of
31 application claims, compliance and collections, additional full-time
32 employees at the department's call center, processing warrants,
33 updating printed materials and web information, media advertising,
34 and support and maintenance of computer systems.))~~

35 NEW SECTION. **Sec. 16.** RULE MAKING. (1) The directors of the
36 department and of the department of licensing must adopt such rules
37 and regulations as necessary for the implementation and proper
38 administration of this chapter and may coordinate concerning the

1 process, timelines, and documentation related to such rule making, as
2 necessary.

3 (2) The department and the department of licensing may commence
4 administrative work, including rule making, necessary to implement
5 this act beginning July 1, 2016, as deemed necessary.

6 NEW SECTION. **Sec. 17.** This chapter may be known and cited as
7 the carbon pollution tax act.

8 NEW SECTION. **Sec. 18.** Sections 1 through 8, 16, and 17 of this
9 act constitute a new chapter in Title 82 RCW.

10 NEW SECTION. **Sec. 19.** This act takes effect July 1, 2017.

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