
BILL REQUEST - CODE REVISER'S OFFICE

BILL REQ. #: I-2651.1/13

ATTY/TYPIST: JA:seg

BRIEF DESCRIPTION: Creating a carbon fee.

1 AN ACT Relating to creating a carbon fee; amending RCW 82.63.030
2 and 82.04.4452; adding a new chapter to Title 82 RCW; providing an
3 effective date; and providing expiration dates.

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

5 NEW SECTION. **Sec. 1.** The intent of this initiative measure is to
6 promote sustainable economic development in Washington state by funding
7 transportation investments and tax reductions and by imposing a carbon
8 tax. This measure proposes that fifty percent of the revenue from the
9 carbon tax must be devoted to tax rebates and reductions, including the
10 working families tax exemption, business and occupation tax relief for
11 manufacturers, the high tech research and development tax credit, and
12 property tax relief; and that the remaining fifty percent of the
13 revenue must be devoted to public investments in transit, road
14 maintenance, and freight mobility.

15 NEW SECTION. **Sec. 2.** The sustainable economy tax reduction
16 account is created in the state treasury. All revenues in the account
17 must be used to provide tax rebates and reductions as specified in this
18 chapter.

1 NEW SECTION. **Sec. 3.** The sustainable economy transportation
2 investment account is created in the state treasury. All revenues in
3 the account must be used to provide transportation investments as
4 specified in this chapter.

5 NEW SECTION. **Sec. 4.** The sustainable economy working families tax
6 exemption account is created in the state treasury. All revenues in
7 the account must be used to provide the working families tax exemption
8 as specified in RCW 82.08.0206.

9 NEW SECTION. **Sec. 5.** The sustainable economy manufacturing
10 business and occupation tax reduction account is created in the state
11 treasury. All revenues in the account must be used to provide rebates
12 on businesses and occupation taxes paid in association with
13 manufacturing under chapter 82.04 RCW.

14 NEW SECTION. **Sec. 6.** The sustainable economy high tech research
15 and development tax reduction account is created in the state treasury.
16 All revenues in the account must be used to provide the tax incentives
17 contained in chapter 82.63 RCW and RCW 82.04.4452, which apply to
18 businesses engaged in research and development or pilot scale
19 manufacturing in Washington in five high technology areas.

20 NEW SECTION. **Sec. 7.** The sustainable economy property tax
21 reduction account is created in the state treasury. All revenues in
22 the account must be used to provide rebates on property taxes paid
23 under Title 84 RCW.

24 NEW SECTION. **Sec. 8.** The sustainable economy transit account is
25 created in the state treasury. All revenues in the account must be
26 used to fund transit programs in Washington state.

27 NEW SECTION. **Sec. 9.** The sustainable economy road maintenance
28 account is created in the state treasury. All revenues in the account
29 must be used to fund maintenance of existing roads, bridges, and
30 ferries by the state and by city and county governments.

1 NEW SECTION. **Sec. 10.** The sustainable economy freight mobility
2 account is created in the state treasury. All revenues in the account
3 must be used to fund freight mobility projects as identified in the
4 freight mobility plan under RCW 47.06.045, except that funding may not
5 be provided to rail projects unless such projects will demonstrably not
6 increase coal transport.

7 NEW SECTION. **Sec. 11.** (1) A fee is charged and collected on
8 global warming pollution from fossil fuels in Washington. This fee is
9 known as the global warming pollution fee. The global warming
10 pollution fee applies to the following:

11 (a) Fossil fuels used in Washington, including all fossil fuels
12 loaded onto airplanes, boats, and other vehicles with the intent of
13 using that fuel on that vehicle;

14 (b) Fossil fuels used to generate electricity imported into
15 Washington, to be determined by using the fuel mix data required under
16 RCW 19.29A.060. Any fee collected under this section must be collected
17 in a manner that provides that the same fee schedule applies to in-
18 state and out-of-state generation.

19 (2) The global warming pollution fee will be reduced for uses of
20 fossil fuels that can be shown and verified to not contribute to global
21 warming including, but not limited to, fossil fuels that are
22 sequestered in accordance with a method approved by the United States
23 environmental protection agency. The fee reduction in such cases must
24 be proportional to the fraction of emissions that are sequestered or
25 otherwise shown and verified to not contribute to global warming.

26 (3) As of July 1, 2014, the fee amount charged under this section
27 is thirty dollars per metric ton of carbon dioxide equivalent, and must
28 be adjusted each year beginning July 1, 2015, for inflation, as
29 determined by the consumer protection index.

30 (4) The department must adopt rules as necessary to implement the
31 global warming pollution fee as provided in this section. The
32 department must develop and make available worksheets and guidance
33 documents necessary to calculate the global warming pollution produced
34 by various fossil fuels. The department must use commonly used methods
35 such as those maintained by the United States environmental protection
36 agency to calculate the amount of global warming pollution produced by
37 each type of fuel.

1 (5) Any person extracting or importing fossil fuels or importing
2 electricity is liable for payment of the global warming pollution fees
3 charged under this section. Payment of all fees charged under this
4 section is due monthly.

5 (6) The department must deposit all fees collected under this
6 section, net of administrative costs, as follows:

7 (a) Fifty percent of the proceeds into the sustainable economy tax
8 reduction account created in section 2 of this act, to be further
9 allocated as follows, in order of priority:

10 (i) Into the sustainable economy working families tax exemption
11 account created in section 4 of this act: Funds from the sustainable
12 economy tax reduction account sufficient to fund a twenty percent
13 working families tax exemption, or all funds in the sustainable economy
14 tax reduction account, whichever is smaller. These funds must also
15 cover administrative costs necessary to implement this section;

16 (ii) Into the sustainable economy manufacturing business and
17 occupation tax reduction account created in section 5 of this act:
18 Funds sufficient to rebate business and occupation taxes associated
19 with manufacturing, or all funds remaining in the sustainable economy
20 tax reduction account, whichever is smaller. These funds must also be
21 sufficient to cover administrative costs necessary to implement this
22 section;

23 (iii) Into the sustainable economy high tech research and
24 development tax reduction account created in section 6 of this act:
25 Funds sufficient to provide the tax incentives contained in chapter
26 82.63 RCW and RCW 82.04.4452, or all funds remaining in the sustainable
27 economy tax reduction account, whichever is smaller. These funds must
28 also be sufficient to cover administrative costs necessary to implement
29 this section; and

30 (iv) Into the sustainable economy property tax reduction account
31 created in section 7 of this act: Funds sufficient to rebate the
32 property taxes in Title 84 RCW, or all funds remaining in the
33 sustainable economy tax reduction account, whichever is smaller. These
34 funds must also be sufficient to cover administrative costs necessary
35 to implement this section. All remaining funds in the sustainable
36 economy tax reduction account must be used to reduce or rebate state
37 taxes; and

1 (b) Fifty percent of the proceeds into the sustainable economy
2 transportation investment account created in section 3 of this act, to
3 be further allocated as follows:

4 (i) Into the sustainable economy transit account created in section
5 8 of this act: Twenty-five percent of the funds in the sustainable
6 economy transportation investment account;

7 (ii) Into the sustainable economy road maintenance account created
8 in section 9 of this act: Fifty percent of the funds in the
9 sustainable economy transportation investment account;

10 (iii) Into the sustainable economy freight mobility account created
11 in section 10 of this act: Twenty-five percent of the funds in the
12 sustainable economy transportation investment account.

13 NEW SECTION. **Sec. 12.** The definitions in this section apply
14 throughout this chapter unless the context clearly requires otherwise.

15 (1) "Carbon dioxide equivalents" means a measure used to compare
16 the emissions from various greenhouse gases based upon their global
17 warming potential.

18 (2) "Coal" means bituminous coal, subbituminous coal, lignite, and
19 coke.

20 (3) "Fossil fuel" means natural gas, petroleum, pet coke, coal, or
21 any form of solid, liquid, or gaseous fuel derived from such material,
22 including still gas.

23 (4) "Person" means any individual, division of government,
24 business, or corporation.

25 NEW SECTION. **Sec. 13.** Sections 1 through 12 of this act
26 constitute a new chapter in Title 82 RCW.

27 **Sec. 14.** RCW 82.63.030 and 2008 c 15 s 4 are each amended to read
28 as follows:

29 (1) Except as provided in subsection (2) of this section, the
30 department (~~shall~~) must issue a sales and use tax deferral
31 certificate for state and local sales and use taxes due under chapters
32 82.08, 82.12, and 82.14 RCW on each eligible investment project.

33 (2) No certificate may be issued for an investment project that has
34 already received a deferral under chapter 82.60 RCW or this chapter,
35 except that an investment project for qualified research and

1 development that has already received a deferral may also receive an
2 additional deferral certificate for adapting the investment project for
3 use in pilot scale manufacturing.

4 (3) This section (~~((shall))~~) expires January 1, (~~((2015))~~) 2025.

5 **Sec. 15.** RCW 82.04.4452 and 2010 c 114 s 114 are each amended to
6 read as follows:

7 (1) In computing the tax imposed under this chapter, a credit is
8 allowed for each person whose research and development spending during
9 the year in which the credit is claimed exceeds 0.92 percent of the
10 person's taxable amount during the same calendar year.

11 (2)(a) The credit is calculated as follows:

12 (~~((a))~~) (i) Determine the greater of the amount of qualified
13 research and development expenditures of a person or eighty percent of
14 amounts received by a person other than a public educational or
15 research institution in compensation for the conduct of qualified
16 research and development;

17 (~~((b))~~) (ii) Subtract 0.92 percent of the person's taxable amount
18 from the amount determined under (a)(i) of this subsection;

19 (~~((c))~~) (iii) Multiply the amount determined under (~~((b))~~) (a)(ii)
20 of this subsection by the following:

21 (~~((i))~~) (A) For the period June 10, 2004, through December 31,
22 2006, the person's average tax rate for the calendar year for which the
23 credit is claimed;

24 (~~((ii))~~) (B) For the calendar year ending December 31, 2007, the
25 greater of the person's average tax rate for that calendar year or 0.75
26 percent;

27 (~~((iii))~~) (C) For the calendar year ending December 31, 2008, the
28 greater of the person's average tax rate for that calendar year or 1.0
29 percent;

30 (~~((iv))~~) (D) For the calendar year ending December 31, 2009, the
31 greater of the person's average tax rate for that calendar year or 1.25
32 percent;

33 (~~((v))~~) (E) For the calendar year ending December 31, 2010, and
34 thereafter, 1.50 percent.

35 (b) For purposes of calculating the credit, if a person's reporting
36 period is less than annual, the person may use an estimated average tax
37 rate for the calendar year for which the credit is claimed by using the

1 person's average tax rate for each reporting period. A person who uses
2 an estimated average tax rate must make an adjustment to the total
3 credit claimed for the calendar year using the person's actual average
4 tax rate for the calendar year when the person files its last return
5 for the calendar year for which the credit is claimed.

6 (3) Any person entitled to the credit provided in subsection (2) of
7 this section as a result of qualified research and development
8 conducted under contract may assign all or any portion of the credit to
9 the person contracting for the performance of the qualified research
10 and development.

11 (4) The credit, including any credit assigned to a person under
12 subsection (3) of this section, must be claimed against taxes due for
13 the same calendar year in which the qualified research and development
14 expenditures are incurred. The credit, including any credit assigned
15 to a person under subsection (3) of this section, for each calendar
16 year may not exceed the lesser of two million dollars or the amount of
17 tax otherwise due under this chapter for the calendar year.

18 (5) For any person claiming the credit, including any credit
19 assigned to a person under subsection (3) of this section, whose
20 research and development spending during the calendar year in which the
21 credit is claimed fails to exceed 0.92 percent of the person's taxable
22 amount during the same calendar year or who is otherwise ineligible,
23 the department must declare the taxes against which the credit was
24 claimed to be immediately due and payable. The department must assess
25 interest, but not penalties, on the taxes against which the credit was
26 claimed. Interest must be assessed at the rate provided for delinquent
27 excise taxes under chapter 82.32 RCW, retroactively to the date the
28 credit was claimed, and accrues until the taxes against which the
29 credit was claimed are repaid. Any credit assigned to a person under
30 subsection (3) of this section that is disallowed as a result of this
31 section may be claimed by the person who performed the qualified
32 research and development subject to the limitations set forth in
33 subsection (4) of this section.

34 (6) A person claiming the credit provided in this section must file
35 a complete annual survey with the department under RCW 82.32.585.

36 (7) For the purpose of this section:

37 (a) "Average tax rate" means a person's total tax liability under

1 this chapter for the calendar year for which the credit is claimed
2 divided by the taxpayer's total taxable amount under this chapter for
3 the calendar year for which the credit is claimed.

4 (b) "Qualified research and development expenditures" means
5 operating expenses, including wages, compensation of a proprietor or a
6 partner in a partnership as determined under rules adopted by the
7 department, benefits, supplies, and computer expenses, directly
8 incurred in qualified research and development by a person claiming the
9 credit provided in this section. The term does not include amounts
10 paid to a person other than a public educational or research
11 institution to conduct qualified research and development. Nor does
12 the term include capital costs and overhead, such as expenses for land,
13 structures, or depreciable property.

14 (c) "Qualified research and development" (~~shall have~~) has the
15 same meaning as in RCW 82.63.010.

16 (d) "Research and development spending" means qualified research
17 and development expenditures plus eighty percent of amounts paid to a
18 person other than a public educational or research institution to
19 conduct qualified research and development.

20 (e) "Taxable amount" means the taxable amount subject to the tax
21 imposed in this chapter required to be reported on the person's
22 combined excise tax returns for the calendar year for which the credit
23 is claimed, less any taxable amount for which a credit is allowed under
24 RCW 82.04.440.

25 (8) This section expires January 1, (~~2015~~) 2025.

26 NEW SECTION. **Sec. 16.** If any provision of this act or its
27 application to any person or circumstance is held invalid, the
28 remainder of the act or the application of the provision to other
29 persons or circumstances is not affected.

30 NEW SECTION. **Sec. 17.** This act takes effect July 1, 2014.

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