
HOUSE BILL 2753

State of Washington

63rd Legislature

2014 Regular Session

By Representatives Clibborn and Roberts

Read first time 01/31/14. Referred to Committee on Transportation.

1 AN ACT Relating to imposing motor vehicle fuel taxes on compressed
2 natural gas and liquefied natural gas used for transportation purposes;
3 amending RCW 82.38.030, 82.38.075, 82.80.010, 82.80.110, 82.80.120,
4 82.47.010, 82.47.020, 46.16A.060, 46.37.467, 82.04.310, 82.04.120,
5 82.12.022, 82.14.230, 35.21.870, and 82.14.030; adding a new section to
6 chapter 82.16 RCW; creating new sections; and providing an effective
7 date.

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

9 NEW SECTION. **Sec. 1.** It is the intent of the legislature to
10 appropriately tax natural gas, the sale of compressed natural gas, or
11 liquefied natural gas, for use as transportation fuel by a motor
12 vehicle. Current practice taxes natural gas as a traditional home
13 heating or electric generation fuel while not taking into account the
14 benefits of natural gas use as a transportation fuel. This act is
15 intended to clarify for future use the appropriate taxation of natural
16 gas, when used as a transportation fuel, in a manner similar to
17 gasoline and diesel. Use of compressed natural gas or liquefied
18 natural gas will provide environmental benefits to the citizens of
19 Washington and spur economic development across the state.

1 **Sec. 2.** RCW 82.38.030 and 2013 c 225 s 103 are each amended to
2 read as follows:

3 (1) There is levied and imposed upon fuel licensees a tax at the
4 rate of twenty-three cents per each gallon of fuel, other than
5 liquefied natural gas and compressed natural gas, each one and one-half
6 gallons of liquefied natural gas, or each one hundred twenty-seven
7 cubic feet of compressed natural gas, measured at standard pressure and
8 temperature.

9 (2) Beginning July 1, 2003, an additional and cumulative tax rate
10 of five cents per each gallon of fuel, other than liquefied natural gas
11 and compressed natural gas, each one and one-half gallons of liquefied
12 natural gas, or each one hundred twenty-seven cubic feet of compressed
13 natural gas, measured at standard pressure and temperature is imposed
14 on fuel licensees. This subsection (2) expires when the bonds issued
15 for transportation 2003 projects are retired.

16 (3) Beginning July 1, 2005, an additional and cumulative tax rate
17 of three cents per each gallon of fuel, other than liquefied natural
18 gas and compressed natural gas, each one and one-half gallons of
19 liquefied natural gas, or each one hundred twenty-seven cubic feet of
20 compressed natural gas, measured at standard pressure and temperature
21 is imposed on fuel licensees.

22 (4) Beginning July 1, 2006, an additional and cumulative tax rate
23 of three cents per each gallon of fuel, other than liquefied natural
24 gas and compressed natural gas, each one and one-half gallons of
25 liquefied natural gas, or each one hundred twenty-seven cubic feet of
26 compressed natural gas, measured at standard pressure and temperature
27 is imposed on fuel licensees.

28 (5) Beginning July 1, 2007, an additional and cumulative tax rate
29 of two cents per each gallon of fuel, other than liquefied natural gas
30 and compressed natural gas, each one and one-half gallons of liquefied
31 natural gas or other unit containing the energy equivalent to a gallon
32 of diesel fuel, or each one hundred twenty-seven cubic feet of
33 compressed natural gas, measured at standard pressure and temperature
34 is imposed on fuel licensees.

35 (6) Beginning July 1, 2008, an additional and cumulative tax rate
36 of one and one-half cents per each gallon of fuel, other than liquefied
37 natural gas and compressed natural gas, each one and one-half gallons

1 of liquefied natural gas, or each one hundred twenty-seven cubic feet
2 of compressed natural gas, measured at standard pressure and
3 temperature is imposed on fuel licensees.

4 (7) Taxes are imposed when:

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

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

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

14 (ii) The removal is at the refinery rack unless the removal is to
15 a licensed supplier or distributor for direct delivery to a destination
16 outside of the state, or the removal is to a licensed supplier for
17 direct delivery to an international fuel tax agreement licensee under
18 RCW 82.38.320;

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

23 (i) The entry is by bulk transfer and the importer is not a
24 licensed supplier; or

25 (ii) The entry is not by bulk transfer;

26 (d) Fuel enters this state by means outside the bulk transfer-
27 terminal system and is delivered directly to a licensed terminal unless
28 the owner is a licensed distributor or supplier;

29 (e) Fuel is sold or removed in this state to an unlicensed entity
30 unless there was a prior taxable removal, entry, or sale of the fuel;

31 (f) Blended fuel is removed or sold in this state by the blender of
32 the fuel. The number of gallons of blended fuel subject to tax is the
33 difference between the total number of gallons of blended fuel removed
34 or sold and the number of gallons of previously taxed fuel used to
35 produce the blended fuel;

36 (g) Dyed special fuel is used on a highway, as authorized by the
37 internal revenue code, unless the use is exempt from the fuel tax;

1 (h) Dyed special fuel is held for sale, sold, used, or is intended
2 to be used in violation of this chapter;

3 (i) Special fuel purchased by an international fuel tax agreement
4 licensee under RCW 82.38.320 is used on a highway; and

5 (j) Fuel is sold by a licensed fuel supplier to a fuel distributor
6 or fuel blender and the fuel is not removed from the bulk transfer-
7 terminal system.

8 **Sec. 3.** RCW 82.38.075 and 2013 c 225 s 110 are each amended to
9 read as follows:

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

VEHICLE TONNAGE (GVW)	FEE
0 - 6,000	\$45
6,001 - 10,000	\$45
10,001 - 18,000	\$80
18,001 - 28,000	\$110
28,001 - 36,000	\$150
36,001 and above	\$250

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

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

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

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

1 (6) Commercial motor vehicles registered in a foreign jurisdiction
2 under the provisions of the international registration plan are subject
3 to the annual fee, but are exempt from the handling fee and the
4 requirement to display the decal or the identifying device required by
5 this section.

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

9 (8) Persons selling or dispensing liquefied natural gas, compressed
10 natural gas, or propane may not sell or dispense this fuel for their
11 own use or the use of others into tanks of vehicles powered by this
12 fuel which do not display a valid decal or other identifying device.

13 ~~((+7))~~ (9) Vehicles registered in jurisdictions outside the state
14 of Washington are exempt from this section.

15 ~~((+8))~~ (10) Any person selling or dispensing liquefied natural
16 gas, compressed natural gas, or propane into the tank of a motor
17 vehicle powered by this fuel, except as prescribed in this chapter, is
18 subject to the penalty provisions of this chapter.

19 **Sec. 4.** RCW 82.80.010 and 2013 c 225 s 641 are each amended to
20 read as follows:

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

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

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

29 (2) Subject to the conditions of this section, any county may levy,
30 by approval of its legislative body and a majority of the registered
31 voters of the county voting on the proposition at a general or special
32 election, additional excise taxes equal to ten percent of the statewide
33 ~~((motor vehicle fuel tax rate under RCW 82.38.030 on each gallon of~~
34 ~~motor vehicle fuel)) fuel tax rates under RCW 82.38.030 on motor
35 vehicle fuel and special fuel as defined in RCW 82.38.020 and on each
36 gallon of special fuel as defined in RCW 82.38.020 sold within the
37 boundaries of the county. Vehicles paying an annual license fee under~~

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

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

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

20 (5) All administrative provisions in chapters 82.01, 82.03, and
21 82.32 RCW, insofar as they are applicable, apply to local option fuel
22 taxes imposed under this section.

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

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

37 (8) The proceeds of the additional excise taxes levied under this

1 section must be used strictly for transportation purposes in accordance
2 with RCW 82.80.070.

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

6 **Sec. 5.** RCW 82.80.110 and 2013 c 225 s 642 are each amended to
7 read as follows:

8 (1) (~~For purposes of this section~~) The definitions in this
9 subsection apply throughout this section unless the context clearly
10 requires otherwise.

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

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

16 (2) For purposes of dedication to a regional transportation
17 investment district plan under chapter 36.120 RCW, subject to the
18 conditions of this section, a county may levy additional excise taxes
19 equal to ten percent of the statewide (~~motor vehicle fuel tax rate~~
20 ~~under RCW 82.38.030 on each gallon of motor vehicle fuel as defined in~~
21 ~~RCW 82.38.020 and on each gallon of special fuel~~) fuel tax rates under
22 RCW 82.38.030 on motor vehicle fuel and special fuel as defined in RCW
23 (~~82.32.020 [82.38.020]~~) 82.38.020 sold within the boundaries of the
24 county. The additional excise tax is subject to the approval of the
25 county's legislative body and a majority of the registered voters of
26 the county voting on the proposition at a general or special election.
27 An election held under this section must be held not more than twelve
28 months before the date on which the proposed tax is to be levied. The
29 ballot setting forth the proposition must state that the revenues from
30 the tax will be used for a regional transportation investment district
31 plan. The county's authority to levy additional excise taxes under
32 this section includes the incorporated and unincorporated areas of the
33 county. Vehicles paying an annual license fee under RCW 82.38.075 are
34 exempt from the county fuel excise tax. The additional excise taxes
35 are subject to the same exceptions and rights of refund as applicable
36 to other motor vehicle fuel and special fuel excise taxes levied under
37 chapter 82.38 RCW. The proposed tax may not be levied less than one

1 month from the date the election results are certified by the county
2 election officer. The commencement date for the levy of any tax under
3 this section will be the first day of January, April, July, or October.

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

7 (4) A taxable event for the purposes of this section occurs upon
8 the first distribution of the fuel within the boundaries of a county to
9 a retail outlet, bulk fuel user, or ultimate user of the 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 county 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 county
23 levying the tax as part of a regional transportation investment plan,
24 after the deductions for payments and expenditures as provided in RCW
25 46.68.090(1) (a) and (b).

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

31 (9) A county may not levy the tax under this section if they are a
32 member of a regional transportation investment district that is levying
33 the tax in RCW 82.80.120 or the county is levying the tax in RCW
34 82.80.010.

35 **Sec. 6.** RCW 82.80.120 and 2013 c 225 s 643 are each amended to
36 read as follows:

1 (1) (~~For purposes of this section~~) The definitions in this
2 subsection apply throughout this section unless the context clearly
3 requires otherwise.

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

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

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

11 (2) A regional transportation investment district under chapter
12 36.120 RCW, subject to the conditions of this section, may levy
13 additional excise taxes equal to ten percent of the statewide motor
14 vehicle fuel tax rate under RCW 82.38.030 on each gallon of motor
15 vehicle fuel as defined in RCW 82.38.020 and on each gallon of special
16 fuel as defined in RCW 82.38.020 sold within the boundaries of the
17 district. The additional excise tax is subject to the approval of a
18 majority of the voters within the district boundaries. Vehicles paying
19 an annual license fee under RCW 82.38.075 are exempt from the
20 district's fuel excise tax. The additional excise taxes are subject to
21 the same exceptions and rights of refund as applicable to other motor
22 vehicle fuel and special fuel excise taxes levied under chapter 82.38
23 RCW. The proposed tax may not be levied less than one month from the
24 date the election results are certified. The commencement date for the
25 levy of any tax under this section will be the first day of January,
26 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 the
32 district to a retail outlet, bulk fuel user, or ultimate user of the
33 fuel.

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

37 (6) Before the effective date of the imposition of the fuel taxes
38 under this section, a district must contract with the department of

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

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

12 (8) The proceeds of the additional taxes levied by a district in
13 this section, to be used as a part of a regional transportation
14 investment district plan, must be used in accordance with chapter
15 36.120 RCW, but only for those areas that are considered "highway
16 purposes" as that term is construed in Article II, section 40 of the
17 state Constitution.

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

22 **Sec. 7.** RCW 82.47.010 and 1998 c 176 s 85 are each amended to read
23 as follows:

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

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

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

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

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

32 **Sec. 8.** RCW 82.47.020 and 1991 c 173 s 1 are each amended to read
33 as follows:

34 (1) The legislative authority of a border area jurisdiction may, by
35 resolution for the purposes authorized in this chapter and by approval
36 of a majority of the registered voters of the jurisdiction voting on

1 the proposition at a general or special election, fix and impose an
2 excise tax on the retail sale of motor vehicle fuel and special fuel
3 within the jurisdiction. An election held under this section must be
4 held not more than twelve months before the date on which the proposed
5 tax is to be levied. The ballot setting forth the proposition
6 (~~shall~~) must state the tax rate that is proposed. The rate of such
7 tax (~~shall~~) must be in increments of one-tenth of (~~a~~) one cent
8 (~~per gallon and shall not exceed one cent per gallon~~), not to exceed
9 one cent, per: (a) Each gallon of fuel, other than liquefied natural
10 gas or compressed natural gas; (b) each one and one-half gallons of
11 liquefied natural gas; or (c) each one hundred twenty-seven cubic feet
12 of compressed natural gas, measured at standard pressure and
13 temperature.

14 (2) The tax imposed in this section (~~shall~~) must be collected and
15 paid to the jurisdiction but once in respect to any motor vehicle fuel
16 or special fuel. This tax (~~shall be~~) is in addition to any other tax
17 authorized or imposed by law.

18 (3) For purposes of this chapter, the term "border area
19 jurisdictions" means all cities and towns within ten miles of an
20 international border crossing and any transportation benefit district
21 established under RCW 36.73.020 which has within its boundaries an
22 international border crossing.

23 NEW SECTION. Sec. 9. A new section is added to chapter 82.16 RCW
24 to read as follows:

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

27 (a) Compressed natural gas or liquefied natural gas, where the
28 compressed natural gas or liquefied natural gas is to be sold or used
29 as transportation fuel; or

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

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

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

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

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

19 (2) The following motor vehicles are exempt from emission test
20 requirements:

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

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

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

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

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

29 (f) Street rod vehicles as defined in RCW 46.04.572 and custom
30 vehicles as defined in RCW 46.04.161;

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

33 (h) Classes of motor vehicles exempted by the director of the
34 department of ecology; and

35 (i) Hybrid motor vehicles that obtain a rating by the environmental
36 protection agency of at least fifty miles per gallon of gas during city

1 driving. For purposes of this section, a hybrid motor vehicle is one
2 that uses propulsion units powered by both electricity and gas.

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

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

8 (b) On the relationship between motor vehicles and air pollution
9 and steps motor vehicle owners should take to reduce motor vehicle
10 related air pollution.

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

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

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

17 (5) A motor vehicle may not be registered, leased, rented, or sold
18 for use in the state, starting with the model year as provided in RCW
19 70.120A.010, unless the vehicle:

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

21 (b)(i) Is consistent with the vehicle emission standards and carbon
22 dioxide equivalent emission standards adopted by the department of
23 ecology; and

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

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

34 **Sec. 11.** RCW 46.37.467 and 1995 c 369 s 23 are each amended to
35 read as follows:

36 (1) Every automobile, truck, motorcycle, motor home, or off-road
37 vehicle that is fueled by an alternative fuel source (~~shall~~) must

1 bear a reflective placard issued by the national fire protection
2 association indicating that the vehicle is so fueled. Violation of
3 this subsection is a traffic infraction.

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

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

16 **Sec. 12.** RCW 82.04.310 and 2007 c 58 s 1 are each amended to read
17 as follows:

18 (1) This chapter (~~shall~~) does not apply to any person in respect
19 to a business activity with respect to which tax liability is
20 specifically imposed under the provisions of chapter 82.16 RCW
21 including amounts derived from activities for which a deduction is
22 allowed under RCW 82.16.050. The exemption in this subsection does not
23 apply to sales of natural gas, including compressed natural gas and
24 liquefied natural gas, by a gas distribution business, if such sales
25 are exempt from the tax imposed under chapter 82.16 RCW as provided in
26 section 9 of this act.

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

30 (3)(a) This chapter does not apply to amounts received by any
31 person for the sale of natural or manufactured gas in a calendar year
32 if that person sells within the United States a total amount of natural
33 or manufactured gas in that calendar year that is no more than twenty
34 percent of the amount of natural or manufactured gas that it consumes
35 within the United States in the same calendar year.

36 (b) For purposes of determining whether a person has sold within
37 the United States a total amount of natural or manufactured gas in a

1 calendar year that is no more than twenty percent of the amount of
2 natural or manufactured gas that it consumes within the United States
3 in the same calendar year, the following transfers of gas are not
4 considered to be the sale of natural or manufactured gas:

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

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

11 **Sec. 13.** RCW 82.04.120 and 2011 c 23 s 3 are each amended to read
12 as follows:

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

18 (a) The production or fabrication of special made or custom made
19 articles;

20 (b) The production or fabrication of dental appliances, devices,
21 restorations, substitutes, or other dental laboratory products by a
22 dental laboratory or dental technician;

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

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

27 (e) The production of compressed natural gas or liquefied natural
28 gas for use as a transportation fuel as defined in section 9 of this
29 act.

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

31 (a) Conditioning of seed for use in planting; cubing hay or
32 alfalfa;

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

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

36 (d) Packing of agricultural products, including sorting, washing,

1 rinsing, grading, waxing, treating with fungicide, packaging, chilling,
2 or placing in controlled atmospheric storage;

3 (e) The production of digital goods;

4 (f) The production of computer software if the computer software is
5 delivered from the seller to the purchaser by means other than tangible
6 storage media, including the delivery by use of a tangible storage
7 media where the tangible storage media is not physically transferred to
8 the purchaser; and

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

15 (3) With respect to wastewater treatment facilities:

16 (a) "To manufacture" does not include the treatment of wastewater,
17 the production of reclaimed water, and the production of class B
18 biosolids; and

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

23 **Sec. 14.** RCW 82.12.022 and 2011 c 174 s 304 are each amended to
24 read as follows:

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

29 (2) The tax must be levied and collected in an amount equal to the
30 value of the article used by the taxpayer multiplied by the rate in
31 effect for the public utility tax on gas distribution businesses under
32 RCW 82.16.020. The "value of the article used" does not include any
33 amounts that are paid for the hire or use of a gas distribution
34 business as defined in RCW 82.16.010(2) in transporting the gas subject
35 to tax under this subsection if those amounts are subject to tax under
36 that chapter.

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

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

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

11 (b) A person claiming the exemption provided in this subsection (5)
12 must file a complete annual report with the department under RCW
13 82.32.534.

14 (6) The tax imposed by this section does not apply to the use of
15 natural gas, compressed natural gas, or liquefied natural gas, if the
16 consumer uses the gas for transportation fuel as defined in section 9
17 of this act.

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

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

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

27 ((+7)) (8) The use tax imposed in this section must be paid by the
28 consumer to the department.

29 ((+8)) (9) There is imposed a reporting requirement on the person
30 who delivered the gas to the consumer to make a quarterly report to the
31 department. Such report must contain the volume of gas delivered, name
32 of the consumer to whom delivered, and such other information as the
33 department may require by rule.

34 ((+9)) (10) The department may adopt rules under chapter 34.05 RCW
35 for the administration and enforcement of sections 1 through 6, chapter
36 384, Laws of 1989.

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

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

8 (2) The tax is imposed in an amount equal to the value of the
9 article used by the taxpayer multiplied by the rate in effect for the
10 tax on natural gas businesses under RCW 35.21.870 in the city in which
11 the article is used. The "value of the article used," does not include
12 any amounts that are paid for the hire or use of a natural gas business
13 in transporting the gas subject to tax under this subsection if those
14 amounts are subject to tax under RCW 35.21.870.

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

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

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

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

29 (5) The use tax imposed must be paid by the consumer. The
30 administration and collection of the tax imposed is pursuant to RCW
31 82.14.050.

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

36 **Sec. 16.** RCW 35.21.870 and 1984 c 225 s 6 are each amended to read
37 as follows:

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

6 (2)(a) If a city or town is imposing a rate of tax under subsection
7 (1) of this section in excess of six percent on April 20, 1982, the
8 city or town shall decrease the rate to a rate of six percent or less
9 by reducing the rate each year on or before November 1st by ordinances
10 to be effective on January 1st of the succeeding year, by an amount
11 equal to one-tenth the difference between the tax rate on April 20,
12 1982, and six percent.

13 (b) Nothing in this subsection prohibits a city or town from
14 reducing its rates by amounts greater than the amounts required in this
15 subsection.

16 (3) Voter approved rate increases under subsection (1) of this
17 section (~~shall~~) may not be included in the computations under this
18 subsection.

19 (4) No city or town may impose a tax on the privilege of conducting
20 a natural gas business with respect to sales that are exempt from the
21 tax imposed under chapter 82.16 RCW as provided in section 1 of this
22 act at a rate higher than its business and occupation tax rate on the
23 sale of tangible personal property or, if the city or town does not
24 impose a business and occupation tax on the sale of tangible personal
25 property, at a rate greater than .002.

26 **Sec. 17.** RCW 82.14.030 and 2008 c 86 s 101 are each amended to
27 read as follows:

28 (1) The governing body of any county or city, while not required by
29 legislative mandate to do so, may, by resolution or ordinance for the
30 purposes authorized by this chapter, impose a sales and use tax in
31 accordance with the terms of this chapter. Such tax (~~shall~~) must be
32 collected from those persons who are taxable by the state under
33 chapters 82.08 and 82.12 RCW, upon the occurrence of any taxable event
34 within the county or city as the case may be. (~~Except as provided in~~
35 ~~RCW 82.14.230,~~) This sales and use tax (~~shall~~) does not apply to
36 natural or manufactured gas, except for natural gas that is used as a
37 transportation fuel as defined in section 9 of this act, or where a tax

1 imposed under the authority of RCW 82.14.230 or a local utility tax
2 subject to RCW 35.21.870 applies. The rate of such tax imposed by a
3 county (~~shall be~~) is five-tenths of one percent of the selling price
4 (in the case of a sales tax) or value of the article used (in the case
5 of a use tax). The rate of such tax imposed by a city (~~shall~~) may
6 not exceed five-tenths of one percent of the selling price (in the case
7 of a sales tax) or value of the article used (in the case of a use
8 tax). However, in the event a county imposes a sales and use tax under
9 this subsection, the rate of such tax imposed under this subsection by
10 any city therein (~~shall~~) may not exceed four hundred and twenty-five
11 one-thousandths of one percent.

12 (2) In addition to the tax authorized in subsection (1) of this
13 section, the governing body of any county or city may by resolution or
14 ordinance impose an additional sales and use tax in accordance with the
15 terms of this chapter. Such additional tax (~~shall~~) must be collected
16 upon the same taxable events upon which the tax imposed under
17 subsection (1) of this section is imposed. The rate of such additional
18 tax imposed by a county (~~shall be~~) is up to five-tenths of one
19 percent of the selling price (in the case of a sales tax) or value of
20 the article used (in the case of a use tax). The rate of such
21 additional tax imposed by a city (~~shall be~~) is up to five-tenths of
22 one percent of the selling price (in the case of a sales tax) or value
23 of the article used (in the case of a use tax). However, in the event
24 a county imposes a sales and use tax under the authority of this
25 subsection at a rate equal to or greater than the rate imposed under
26 the authority of this subsection by a city within the county, the
27 county (~~shall~~) must receive fifteen percent of the city tax. In the
28 event that the county imposes a sales and use tax under the authority
29 of this subsection at a rate which is less than the rate imposed under
30 this subsection by a city within the county, the county shall receive
31 that amount of revenues from the city tax equal to fifteen percent of
32 the rate of tax imposed by the county under the authority of this
33 subsection. The authority to impose a tax under this subsection is
34 intended in part to compensate local government for any losses from the
35 phase-out of the property tax on business inventories.

36 NEW SECTION. **Sec. 18.** This act is not subject to RCW 82.32.805

1 and 82.32.808.

2 NEW SECTION. **Sec. 19.** This act takes effect July 1, 2015.

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