

INITIATIVE 732

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) "Consumer price index" means, for any calendar year, that
33 year's annual average consumer price index, for Washington state, for
34 wage earners and clerical workers, all items, compiled by the bureau
35 of labor and statistics, United States department of labor. If the
36 bureau of labor and statistics develops more than one consumer price
37 index for areas within the state, the index covering the greatest
38 number of people, covering areas exclusively within the boundaries of

1 the state, and including all items must be used for the adjustments
2 for inflation in this section.

3 (7) "Direct service industrial customer" has the same meaning as
4 provided in RCW 82.16.0495.

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

10 (9) "Motor vehicle fuel" has the same meaning as provided in RCW
11 82.38.020.

12 (10) "Natural gas" means naturally occurring mixtures of
13 hydrocarbon gases and vapors consisting principally of methane,
14 whether in gaseous or liquid form, including methane clathrate.

15 (11) "Person" means any individual, division, or instrumentality
16 of a government, business, corporation, partnership, or trust.

17 (12) "Petroleum product" has the same meaning as in RCW
18 82.23A.010.

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

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

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

25 (b) Operating under authority of chapter 35.92 or 87.03 RCW or
26 Title 54 RCW; or

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

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

32 (16) "Year" means the twelve-month period commencing January 1st
33 and ending December 31st unless otherwise specified.

34 NEW SECTION. **Sec. 4.** CARBON POLLUTION TAX. (1) There is levied
35 and the department must collect a tax upon (a) the carbon content of
36 fossil fuels sold or used within this state including, but not
37 limited to, fossil fuels sold or used for aviation or marine
38 purposes, and (b) the carbon content inherent in electricity consumed
39 within this state, including electricity that is generated within

1 Washington; imported (by way of wheeling or otherwise) into
2 Washington; or acquired from the Bonneville power administration.

3 (2) The tax rate is equal to fifteen dollars per metric ton of
4 carbon dioxide as of July 1, 2017, increasing to twenty-five dollars
5 per metric ton as of July 1, 2018, with automatic increases
6 thereafter by three and one-half percent plus inflation, as measured
7 using the consumer price index for the most recent year for which
8 data are available, each year beginning July 1st, but not to exceed a
9 rate of one hundred dollars per metric ton when converted into 2016
10 dollars by adjusting for inflation using the consumer price index.

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

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

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

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

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

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

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

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

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

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

39 (f) Carbon dioxide emanating into the atmosphere as a result of
40 the consumption of fossil fuels in refineries must be reported by

1 each refinery operator as provided in section 7 of this act, and the
2 tax on the carbon reported thereon must be paid to the department
3 within fifteen days thereafter in accordance with regulations adopted
4 by the department.

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

10 (6) The carbon pollution tax must be reduced or refunded for uses
11 of fossil fuels that can be demonstrated not to contribute to
12 increasing the atmospheric carbon dioxide concentration, for example
13 by reason of qualified sequestration. The tax reduction in such cases
14 must be proportional to the fraction of emissions that can be
15 demonstrated not to contribute to increasing the atmospheric carbon
16 dioxide concentration. The right to carbon pollution tax reduction
17 under this subsection may not be transferred, traded, or banked.

18 (7) The department must adopt rules as necessary to implement the
19 carbon pollution tax provided for in this section. The department
20 must develop and make available worksheets and guidance documents
21 necessary to calculate the carbon pollution tax for various fossil
22 fuels.

23 (8) In relation to the tax on the consumption of electricity, the
24 tax imposed in this chapter is on the consumer of the electricity,
25 but if the seller is located within the state, that seller must
26 collect from the consumer the full amount of the tax. If any seller
27 fails to collect the tax imposed in this chapter or, having collected
28 the tax, fails to pay it to the department as required, the seller is
29 nevertheless liable to the state for the amount of the tax.

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

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

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

34 (b) Fuel that the state is prohibited from taxing under the
35 Constitution of this state or the Constitution or laws of the United
36 States; or

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

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

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

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

10 (iii) Fuel that is purchased by a private, nonprofit
11 transportation provider certified under chapter 81.66 RCW and for
12 which the purchaser is entitled to a refund or an exemption under RCW
13 82.38.080(1)(d) or 82.38.180(3)(a);

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

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

18 (b) The tax rate for these fuels will be five percent of the rate
19 described in section 4 of this act effective July 1, 2017, ten
20 percent of the rate described in section 4 of this act effective July
21 1, 2019, and continuing to increase thereafter at five percentage
22 points per biennium until it reaches one hundred percent of the rate
23 described in section 4 of this act effective July 1, 2055.

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

26 (4) The tax is imposed only once and at the time and place of the
27 first taxable event and upon the first taxable person within this
28 state. If a person pays the tax imposed under this chapter on fuel
29 that is consumed in the generation of electricity, the electricity so
30 generated or used will not be subject to the tax imposed under this
31 chapter provided that the department receives evidence, pursuant to
32 rules adopted by the department, that the tax has been paid by the
33 person using the fuel to generate electricity.

34 (5) Persons taxable under this chapter with respect to
35 electricity consumed in this state but generated in another state are
36 allowed a credit against those taxes for any similar carbon pollution
37 taxes paid to that other state on the fossil fuels consumed in the
38 generation of that electricity. The amount of the credit may not
39 exceed the tax liability arising under this chapter with respect to
40 the consumption of that electricity in this state. Persons claiming

1 this credit must provide the department with evidence, pursuant to
2 rules adopted by the department, that the tax has been paid to
3 another state.

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

8 NEW SECTION. **Sec. 7.** REPORTS BY UTILITIES, ELECTRICITY USERS,
9 AND REFINERIES. (1) Each utility and each user of electricity not
10 generated in-state and not acquired from a qualifying utility must
11 file with the department by the tenth day of each month a fuel mix
12 report containing the information contained in RCW 19.29A.060 and
13 such other information as the department may require for purposes of
14 this chapter for the previous calendar month together with the tax
15 calculated thereon based on tax tables adopted by the department. If
16 a utility or an electricity user reports electricity products
17 comprised of no declared resources as described in RCW
18 19.29A.060(1)(b) or otherwise fails to provide the source of the
19 resources that provide the electricity, the department must assume
20 the carbon content inherent in that electricity to be one metric ton
21 of carbon dioxide per megawatt-hour.

22 (2) Persons using fossil fuels to refine fossil fuels must file
23 with the department by the tenth day of each month a fuel use report
24 similar to the United States environmental protection agency facility
25 level information on greenhouse gases tool report containing their
26 fossil fuel carbon dioxide emissions and such other information as
27 the department may require for purposes of this chapter for the
28 previous calendar month together with the tax calculated thereon
29 based on tax tables adopted by the department.

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

36 NEW SECTION. **Sec. 8.** REPORT BY DEPARTMENT. On or before
37 December 31st of each year from 2017 through 2027 and biennially

1 thereafter, the department must submit a report to the governor and
2 the legislature containing the following with respect to the annual
3 or biennial period ending July 1st immediately preceding the
4 reporting date, annualized if in a biennial report:

5 (1) The total carbon pollution tax collected during the reporting
6 period;

7 (2) The total revenue foregone by the state resulting from
8 disbursements made under the working families tax exemption and
9 resulting from reductions in sales taxes, use taxes, and business and
10 occupation taxes enacted under this chapter, with the business and
11 occupation tax reductions measured both relative to the rates
12 applicable on January 1, 2017, and to the rates applicable during the
13 annual or biennial period ending the July 1st immediately preceding
14 the reporting date;

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

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

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

24 **Sec. 9.** RCW 82.04.240 and 2004 c 24 s 4 are each amended to read
25 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 (~~(shall be)~~) is equal to the value of
30 the products, including byproducts, manufactured, multiplied by the
31 rate of (~~(0.484)~~) 0.001 percent.

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

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

37 (1) Upon every person engaging within this state in business as a
38 manufacturer, except persons taxable as manufacturers under other

1 provisions of this chapter; as to such persons the amount of the tax
2 with respect to such business is equal to the value of the products,
3 including byproducts, manufactured, multiplied by the rate of
4 ((~~0.484~~)) 0.001 percent.

5 (2)(a) Upon every person engaging within this state in the
6 business of manufacturing semiconductor materials, as to such persons
7 the amount of tax with respect to such business is, in the case of
8 manufacturers, equal to the value of the product manufactured, or, in
9 the case of processors for hire, equal to the gross income of the
10 business, multiplied by the rate of ((~~0.275~~)) 0.001 percent. For the
11 purposes of this subsection "semiconductor materials" means silicon
12 crystals, silicon ingots, raw polished semiconductor wafers, compound
13 semiconductors, integrated circuits, and microchips.

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

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

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

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

24 (1)(a) Section 10, chapter ..., Laws of 2015 (section 10 of this
25 act), section 206, chapter 106, Laws of 2010, sections 104, 110, 117,
26 123, 125, 129, 131, and 150, chapter 114, Laws of 2010, section 3,
27 chapter 461, Laws of 2009, section 7, chapter 300, Laws of 2006, and
28 section 4, chapter 149, Laws of 2003 are contingent upon the siting
29 and commercial operation of a significant semiconductor microchip
30 fabrication facility in the state of Washington.

31 (b) For the purposes of this section:

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

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

36 (iii) "Significant" means the combined investment of new
37 buildings and new machinery and equipment in the buildings, at the
38 commencement of commercial production, will be at least one billion
39 dollars.

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

5 (3)(a) The department of revenue must provide notice of the
6 effective date of section 10, chapter ..., Laws of 2015 (section 10
7 of this act), section 206, chapter 106, Laws of 2010, sections 104,
8 110, 117, 123, 125, 129, 131, and 150, chapter 114, Laws of
9 2010(~~(+,+)~~), section 3, chapter 461, Laws of 2009, section 7, chapter
10 300, Laws of 2006, and section 4, chapter 149, Laws of 2003 to
11 affected taxpayers, the legislature, and others as deemed appropriate
12 by the department.

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

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

27 (1) Upon every person engaging within this state in the business
28 of manufacturing or processing for hire semiconductor materials, as
29 to such persons the amount of tax with respect to such business is,
30 in the case of manufacturers, equal to the value of the product
31 manufactured, or, in the case of processors for hire, equal to the
32 gross income of the business, multiplied by the rate of (~~(0.275)~~)
33 0.001 percent.

34 (2) For the purposes of this section "semiconductor materials"
35 means silicon crystals, silicon ingots, raw polished semiconductor
36 wafers, and compound semiconductor wafers.

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

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

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

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

6 (a) Wheat into flour, barley into pearl barley, soybeans into
7 soybean oil, canola into canola oil, canola meal, or canola by-
8 products, or sunflower seeds into sunflower oil; as to such persons
9 the amount of tax with respect to such business is equal to the value
10 of the flour, pearl barley, oil, canola meal, or canola by-product
11 manufactured, multiplied by the rate of (~~(0.138)~~) 0.001 percent;

12 (b) Beginning July 1, 2015, seafood products that remain in a
13 raw, raw frozen, or raw salted state at the completion of the
14 manufacturing by that person; or selling manufactured seafood
15 products that remain in a raw, raw frozen, or raw salted state at the
16 completion of the manufacturing, to purchasers who transport in the
17 ordinary course of business the goods out of this state; as to such
18 persons the amount of tax with respect to such business is equal to
19 the value of the products manufactured or the gross proceeds derived
20 from such sales, multiplied by the rate of (~~(0.138)~~) 0.001 percent.
21 Sellers must keep and preserve records for the period required by RCW
22 82.32.070 establishing that the goods were transported by the
23 purchaser in the ordinary course of business out of this state;

24 (c)(i) Beginning July 1, 2015, dairy products; or selling dairy
25 products that the person has manufactured to purchasers who either
26 transport in the ordinary course of business the goods out of state
27 or purchasers who use such dairy products as an ingredient or
28 component in the manufacturing of a dairy product; as to such persons
29 the tax imposed is equal to the value of the products manufactured or
30 the gross proceeds derived from such sales multiplied by the rate of
31 (~~(0.138)~~) 0.001 percent. Sellers must keep and preserve records for
32 the period required by RCW 82.32.070 establishing that the goods were
33 transported by the purchaser in the ordinary course of business out
34 of this state or sold to a manufacturer for use as an ingredient or
35 component in the manufacturing of a dairy product.

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

38 (A) Products, not including any marijuana-infused product, that
39 as of September 20, 2001, are identified in 21 C.F.R., chapter 1,

1 parts 131, 133, and 135, including by-products from the manufacturing
2 of the dairy products, such as whey and casein; and

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

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

11 (d)(i) Beginning July 1, 2015, fruits or vegetables by canning,
12 preserving, freezing, processing, or dehydrating fresh fruits or
13 vegetables, or selling at wholesale fruits or vegetables manufactured
14 by the seller by canning, preserving, freezing, processing, or
15 dehydrating fresh fruits or vegetables and sold to purchasers who
16 transport in the ordinary course of business the goods out of this
17 state; as to such persons the amount of tax with respect to such
18 business is equal to the value of the products manufactured or the
19 gross proceeds derived from such sales multiplied by the rate of
20 ~~((0.138))~~ 0.001 percent. Sellers must keep and preserve records for
21 the period required by RCW 82.32.070 establishing that the goods were
22 transported by the purchaser in the ordinary course of business out
23 of this state.

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

27 (e) Until July 1, 2009, alcohol fuel, biodiesel fuel, or
28 biodiesel feedstock, as those terms are defined in RCW 82.29A.135; as
29 to such persons the amount of tax with respect to the business is
30 equal to the value of alcohol fuel, biodiesel fuel, or biodiesel
31 feedstock manufactured, multiplied by the rate of ~~((0.138))~~ 0.001
32 percent; and

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

37 (2) Upon every person engaging within this state in the business
38 of splitting or processing dried peas; as to such persons the amount
39 of tax with respect to such business is equal to the value of the

1 peas split or processed, multiplied by the rate of (~~0.138~~) 0.001
2 percent.

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

8 (4) Upon every person engaging within this state in the business
9 of slaughtering, breaking and/or processing perishable meat products
10 and/or selling the same at wholesale only and not at retail; as to
11 such persons the tax imposed is equal to the gross proceeds derived
12 from such sales multiplied by the rate of (~~0.138~~) 0.001 percent.

13 (5) Upon every person engaging within this state in the business
14 of acting as a travel agent or tour operator; as to such persons the
15 amount of the tax with respect to such activities is equal to the
16 gross income derived from such activities multiplied by the rate of
17 0.275 percent.

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

25 (7) Upon every person engaging within this state in the business
26 of stevedoring and associated activities pertinent to the movement of
27 goods and commodities in waterborne interstate or foreign commerce;
28 as to such persons the amount of tax with respect to such business is
29 equal to the gross proceeds derived from such activities multiplied
30 by the rate of 0.275 percent. Persons subject to taxation under this
31 subsection are exempt from payment of taxes imposed by chapter 82.16
32 RCW for that portion of their business subject to taxation under this
33 subsection. Stevedoring and associated activities pertinent to the
34 conduct of goods and commodities in waterborne interstate or foreign
35 commerce are defined as all activities of a labor, service or
36 transportation nature whereby cargo may be loaded or unloaded to or
37 from vessels or barges, passing over, onto or under a wharf, pier, or
38 similar structure; cargo may be moved to a warehouse or similar
39 holding or storage yard or area to await further movement in import
40 or export or may move to a consolidation freight station and be

1 stuffed, unstuffed, containerized, separated or otherwise segregated
2 or aggregated for delivery or loaded on any mode of transportation
3 for delivery to its consignee. Specific activities included in this
4 definition are: Wharfage, handling, loading, unloading, moving of
5 cargo to a convenient place of delivery to the consignee or a
6 convenient place for further movement to export mode; documentation
7 services in connection with the receipt, delivery, checking, care,
8 custody and control of cargo required in the transfer of cargo;
9 imported automobile handling prior to delivery to consignee; terminal
10 stevedoring and incidental vessel services, including but not limited
11 to plugging and unplugging refrigerator service to containers,
12 trailers, and other refrigerated cargo receptacles, and securing ship
13 hatch covers.

14 (8)(a) Upon every person engaging within this state in the
15 business of disposing of low-level waste, as defined in RCW
16 43.145.010; as to such persons the amount of the tax with respect to
17 such business is equal to the gross income of the business, excluding
18 any fees imposed under chapter 43.200 RCW, multiplied by the rate of
19 3.3 percent.

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

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

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

37 (11)(a) Beginning October 1, 2005, upon every person engaging
38 within this state in the business of manufacturing commercial
39 airplanes, or components of such airplanes, or making sales, at
40 retail or wholesale, of commercial airplanes or components of such

1 airplanes, manufactured by the seller, as to such persons the amount
2 of tax with respect to such business is, in the case of
3 manufacturers, equal to the value of the product manufactured and the
4 gross proceeds of sales of the product manufactured, or in the case
5 of processors for hire, equal to the gross income of the business,
6 multiplied by the rate of:

7 (i) 0.4235 percent from October 1, 2005, through June 30, 2007;

8 and

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

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

21 (c) For the purposes of this subsection (11), "commercial
22 airplane" and "component" have the same meanings as provided in RCW
23 82.32.550.

24 (d) In addition to all other requirements under this title, a
25 person reporting under the tax rate provided in this subsection (11)
26 must file a complete annual report with the department under RCW
27 82.32.534.

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

30 (ii) With respect to the manufacturing of commercial airplanes or
31 making sales, at retail or wholesale, of commercial airplanes, this
32 subsection (11) does not apply on and after July 1st of the year in
33 which the department makes a determination that any final assembly or
34 wing assembly of any version or variant of a commercial airplane that
35 is the basis of a siting of a significant commercial airplane
36 manufacturing program in the state under RCW 82.32.850 has been sited
37 outside the state of Washington. This subsection (11)(e)(ii) only
38 applies to the manufacturing or sale of commercial airplanes that are
39 the basis of a siting of a significant commercial airplane
40 manufacturing program in the state under RCW 82.32.850.

1 (12)(a) Until July 1, 2024, upon every person engaging within
2 this state in the business of extracting timber or extracting for
3 hire timber; as to such persons the amount of tax with respect to the
4 business is, in the case of extractors, equal to the value of
5 products, including by-products, extracted, or in the case of
6 extractors for hire, equal to the gross income of the business,
7 multiplied by the rate of 0.4235 percent from July 1, 2006, through
8 June 30, 2007, and 0.2904 percent from July 1, 2007, through June 30,
9 2024.

10 (b) Until July 1, 2024, upon every person engaging within this
11 state in the business of manufacturing or processing for hire: (i)
12 Timber into timber products or wood products; or (ii) timber products
13 into other timber products or wood products; as to such persons the
14 amount of the tax with respect to the business is, in the case of
15 manufacturers, equal to the value of products, including by-products,
16 manufactured, or in the case of processors for hire, equal to the
17 gross income of the business, multiplied by the rate of 0.4235
18 percent from July 1, 2006, through June 30, 2007, and (~~0.2904~~)
19 0.001 percent from July 1, 2007, through June 30, 2024.

20 (c) Until July 1, 2024, upon every person engaging within this
21 state in the business of selling at wholesale: (i) Timber extracted
22 by that person; (ii) timber products manufactured by that person from
23 timber or other timber products; or (iii) wood products manufactured
24 by that person from timber or timber products; as to such persons the
25 amount of the tax with respect to the business is equal to the gross
26 proceeds of sales of the timber, timber products, or wood products
27 multiplied by the rate of 0.4235 percent from July 1, 2006, through
28 June 30, 2007, and 0.2904 percent from July 1, 2007, through June 30,
29 2024.

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

1 (e) For purposes of this subsection, the following definitions
2 apply:

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

7 (ii) "Paper and paper products" means products made of interwoven
8 cellulosic fibers held together largely by hydrogen bonding. "Paper
9 and paper products" includes newsprint; office, printing, fine, and
10 pressure-sensitive papers; paper napkins, towels, and toilet tissue;
11 kraft bag, construction, and other kraft industrial papers;
12 paperboard, liquid packaging containers, containerboard, corrugated,
13 and solid-fiber containers including linerboard and corrugated
14 medium; and related types of cellulosic products containing
15 primarily, by weight or volume, cellulosic materials. "Paper and
16 paper products" does not include books, newspapers, magazines,
17 periodicals, and other printed publications, advertising materials,
18 calendars, and similar types of printed materials.

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

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

29 (v) "Timber products" means:

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

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

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

37 (vi) "Wood products" means paper and paper products; dimensional
38 lumber; engineered wood products such as particleboard, oriented
39 strand board, medium density fiberboard, and plywood; wood doors;
40 wood windows; and biocomposite surface products.

1 (f) Except for small harvesters as defined in RCW 84.33.035, a
2 person reporting under the tax rate provided in this subsection (12)
3 must file a complete annual survey with the department under RCW
4 82.32.585.

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

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

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

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

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

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

25 (b) Digital goods, digital codes, and digital automated services,
26 if the sale is included within the RCW 82.04.050 definition of retail
27 sale;

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

30 (d) Extended warranties to consumers; and

31 (e) Anything else, the sale of which is included within the RCW
32 82.04.050 definition of retail sale.

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

38 (3) Beginning July 1, 2003, there is levied and collected an
39 additional tax of three-tenths of one percent of the selling price on

1 each retail sale of a motor vehicle in this state, other than retail
2 car rentals taxed under subsection (2) of this section. The revenue
3 collected under this subsection must be deposited in the multimodal
4 transportation account created in RCW 47.66.070.

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

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

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

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

13 (d) Snowmobiles as defined in RCW 46.04.546.

14 (5) Beginning on December 8, 2005, 0.16 percent of the taxes
15 collected under subsection (1) of this section must be dedicated to
16 funding comprehensive performance audits required under RCW
17 43.09.470. The revenue identified in this subsection must be
18 deposited in the performance audits of government account created in
19 RCW 43.09.475.

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

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

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

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

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

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

36 (b) ~~((An individual who))~~ An individual who is eligible for,
37 and ~~((is granted))~~ has claimed, the credit provided in Title 26
38 U.S.C. Sec. 32; and

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

5 (3) For remittances made in 2009 and 2010, the working families'
6 tax exemption for the prior year is a retail sales tax exemption
7 equal to the greater of five percent of the credit (~~(granted as a~~
8 ~~result of)~~) claimed and claimable under Title 26 U.S.C. Sec. 32 of
9 the federal internal revenue code in the most recent year for which
10 data is available or twenty-five dollars. For (~~(2011 and thereafter)~~)
11 2017, the working families' tax exemption for the prior year is equal
12 to the greater of (~~(ten)~~) fifteen percent of the credit (~~(granted as~~
13 ~~a result of)~~) claimed and claimable under Title 26 U.S.C. Sec. 32 of
14 the federal internal revenue code in the most recent year for which
15 (~~(data is available or fifty)~~) the applicant has filed a federal
16 income tax return with the internal revenue service or one hundred
17 dollars. For 2018 and thereafter, the working families' tax exemption
18 for the prior year is equal to the greater of twenty-five percent of
19 the credit claimed and claimable under 26 U.S.C. Sec. 32 of the
20 federal internal revenue code in the most recent year for which the
21 applicant has filed a federal income tax return with the internal
22 revenue service or one hundred dollars.

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

27 (~~5~~)) The working families' tax exemption (~~(shall)~~) must be
28 administered as provided in this subsection.

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

34 (b) Application (~~(shall)~~) must be made to the department under
35 penalty of perjury and must include a true and complete copy of the
36 applicant's federal income tax return to which the application
37 pertains including the applicant's claim under 26 U.S.C. Sec. 32 of
38 the federal internal revenue code, all in a form and manner
39 determined by the department, but the department must provide
40 alternative filing methods for applicants who do not have access to

1 electronic filing. Application for the exemption remittance under
2 this section must include authorizing the department to make such
3 inquiries and obtain such information from the internal revenue
4 service as the department may deem necessary or appropriate to verify
5 the information set forth in the application for the exemption
6 remittance.

7 (c) Application for the exemption remittance under this section
8 must be made in the year following the year for which the federal
9 return was filed, but in no case may any remittance be provided for
10 any period before January 1, 2008. The department may use the best
11 available data to process the exemption remittance. The department
12 (~~shall~~) must begin accepting applications October 1, 2009.

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

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

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

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

29 (~~(+6)~~) (5) The provisions of chapter 82.32 RCW apply to the
30 exemption in this section.

31 (~~(+7)~~) (6) The department may adopt rules necessary to implement
32 this section.

33 (~~(+8)~~) ~~The department shall limit its costs for the exemption~~
34 ~~program to the initial start-up costs to implement the program. The~~
35 ~~state omnibus appropriations act shall specify funding to be used for~~
36 ~~the ongoing administrative costs of the program. These ongoing~~
37 ~~administrative costs include, but are not limited to, costs for: The~~
38 ~~processing of internet and mail applications, verification of~~
39 ~~application claims, compliance and collections, additional full-time~~
40 ~~employees at the department's call center, processing warrants,~~

1 ~~updating printed materials and web information, media advertising,~~
2 ~~and support and maintenance of computer systems.))~~

3 NEW SECTION. **Sec. 16.** RULE MAKING. (1) The directors of the
4 department and of the department of licensing must adopt such rules
5 and regulations as necessary for the implementation and proper
6 administration of this chapter and may coordinate concerning the
7 process, timelines, and documentation related to such rule making, as
8 necessary.

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

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

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

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