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SENATE BILL 6440

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State of Washington

63rd Legislature

2014 Regular Session

By Senators King, Eide, and Kline

Read first time 01/24/14. 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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