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**HOUSE BILL 1555**

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**State of Washington 65th Legislature 2017 Regular Session**

**By** Representatives Lytton and Doglio; by request of Office of Financial Management

AN ACT Relating to establishing a carbon pollution tax and investment program to reduce greenhouse gas emissions, facilitate the transition to a clean energy economy, and invest in K-12 education and other vital public services; amending RCW 82.32.045 and 82.04.4451; adding a new chapter to Title 82 RCW; adding a new chapter to Title 43 RCW; creating new sections; providing an effective date; and declaring an emergency.

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

NEW SECTION. **Sec.**  FINDINGS AND INTENT. The legislature finds that establishing a carbon pollution tax will allow Washington state to incentivize reductions in greenhouse gas emissions necessary to achieve pollution limits set by the legislature in 2008. The legislature further finds the revenue generated by the carbon pollution tax will enable the state to increase funding for K-12 education and other vital public services while also making critical investments in the state's water infrastructure, forest health, and energy systems. It is the intent of this act to provide for these investments as well as additional investments in low-income support programs, workforce transition, and small business tax relief to minimize price impacts from the carbon pollution tax on households and small businesses.

**PART I**

**CARBON POLLUTION TAX**

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

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

(2) "Carbon calculation" means a calculation made by the department of ecology, in consultation with the department of commerce, for purposes of determining the carbon dioxide emissions from the complete combustion or oxidation of fossil fuels and the carbon dioxide emissions in electricity for use in calculating the tax pursuant to section 102 of this act.

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

(4) "Carbon dioxide equivalent," "CO2 equivalent," or "CO2e" means a metric measure used to compare the emissions from various greenhouse gases based on their global warming potential.

(5) "Carbon pollution tax" means the tax created in section 102 of this act.

(6) "Coal" means a readily combustible rock of carbonaceous material, including anthracite coal, bituminous coal, subbituminous coal, lignite, waste coal, syncoal, and coke of any kind.

(7) "Consumer price index" means the consumer price index for all urban consumers, all items, that covers areas exclusively within the boundaries of this state and the greatest number of people, compiled by the bureau of labor statistics of the United States department of labor.

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

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

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

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

(12) "Person" has the same meaning as provided in RCW 82.04.030.

(13) "Petroleum product" has the same meaning as provided in RCW 82.23A.010.

(14) "Sale" has the same meaning as provided in RCW 82.04.040.

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

(16) "Taxpayer" means a person subject to the tax imposed in this chapter.

(17)(a) "Use," "used," "using," or "put to use" means, with respect to any fossil fuel, the consumption in this state of the fossil fuel by the taxpayer or the possession or storage in this state of the fossil fuel by the taxpayer preparatory to subsequent consumption of the fossil fuel within this state by the taxpayer.

(b) For purposes of this subsection (17), "possession" means the control of fossil fuel located within this state and includes both actual and constructive possession. "Actual possession" occurs when the person with control has physical possession. "Constructive possession" occurs when the person with control does not have physical possession. "Control" means the power to sell or use a fossil fuel or to authorize the sale or use by another.

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

NEW SECTION. **Sec.**  CARBON POLLUTION TAX. (1)(a) A carbon pollution tax is imposed on:

(i) The sale or use within this state of all fossil fuels, including fossil fuels used in generating electricity; or

(ii) The sale or consumption within this state of electricity generated through the combustion of fossil fuels.

(b) The measure of the carbon pollution tax is the carbon dioxide emissions:

(i) Resulting from the complete combustion or oxidation of fossil fuels sold or used by the taxpayer within this state; or

(ii) inherent in electricity consumed within this state by the taxpayer.

(c)(i) The tax rate is equal to: Twenty-five dollars per metric ton of carbon dioxide as of May 1, 2018; and

(ii) For subsequent years, beginning January 1, 2019, the department must adjust the previous year's tax rate by the rate of inflation, as measured using the consumer price index for the most recent year for which data is available, if the rate of inflation is greater than zero, plus three and one-half percent. The department must round the tax rate to the nearest cent. The department must publish on its web site the tax rate for any year by January 1st of that year.

(2) For the purposes of this chapter:

(a) The carbon pollution tax is imposed only once with respect to the same fossil fuel or electricity, at the time and place of the first taxable event within this state, and upon the first taxable person within this state. The carbon pollution tax does not apply to the sale or consumption within this state of electricity generated using fossil fuels upon which the tax under this chapter has been imposed;

(b) The carbon pollution tax applies only to:

(i) Persons who are required to be registered with the department under RCW 82.32.030(1);

(ii) The state, its political subdivisions, and municipal corporations; and

(iii) Persons who maintain a place of business in this state but who are not required to be registered with the department under RCW 82.32.030(1);

(c) A sale of fossil fuel takes place in this state when the fossil fuel is delivered in this state to the purchaser or a person designated by the purchaser, notwithstanding any contract terms designating a location outside of this state as the place of sale; and

(d) Each sale within this state of a fossil fuel or electricity, other than a sale of electricity to consumers who are not direct service industrial customers, must indicate on the invoice or other document of sale the amount of carbon pollution tax paid or to be paid with respect to the fossil fuel or electricity and the rate of such tax paid or to be paid, who paid or is liable to pay the tax, and any other information as may be prescribed by the department by rule. If a purchaser of fossil fuels or electricity sold within this state fails to obtain an invoice or document of sale that complies with this subsection (2)(d), the department may collect the carbon pollution tax from the purchaser.

(3) For purposes of determining the tax due under this chapter:

(a) The department must use the carbon calculation for all fossil fuels sold or used within the state or inherent in electricity sold or consumed within this state.

(b) For the sale or consumption of electricity where the source of fossil fuels used to generate the electricity is unknown or unspecified, the carbon dioxide inherent in that electricity is one metric ton of carbon dioxide equivalent per megawatt-hour.

(4) For taxpayers who are also subject to any of the taxes imposed under chapter 82.04, 82.08, 82.12, or 82.16 RCW, the frequency of reporting and payment of the carbon pollution tax must, to the extent practicable, coincide with a taxpayer's reporting periods for the taxes imposed under chapter 82.04, 82.08, 82.12, or 82.16 RCW.

(5) The carbon pollution tax on the sale or use of fossil fuels is on the seller or user of the fossil fuel.

(6)(a) The carbon pollution tax on the sale or consumption of electricity is on the:

(i) Seller of the electricity if the seller is required to be registered with the department for purposes of paying taxes due under chapter 82.04 or 82.16 RCW; or

(ii) Direct service industrial customer if the direct service industrial customer purchased the electricity from a seller who is not required to be registered with the department for purposes of paying taxes due under chapter 82.04 or 82.16 RCW.

(b) The carbon pollution tax on the sale or consumption within this state of electricity generated by fossil fuels does not apply to any consumer of electricity other than a direct service industrial customer.

(7) The department must develop and make available worksheets, tax tables, and guidance documents necessary to calculate the carbon dioxide emissions of fossil fuels or the carbon dioxide emissions inherent in electricity.

NEW SECTION. **Sec.**  EXEMPTIONS AND CREDITS. (1) The carbon pollution tax does not apply to:

(a) Fossil fuels brought into this state by means of the primary fuel supply tank of a motor vehicle, vessel, locomotive, or aircraft, actively supplying fuel for combustion upon entry into the state and any electricity generated by such fossil fuels;

(b) Fossil fuels or electricity that the state is prohibited from taxing under the state Constitution or the Constitution or laws of the United States;

(c)(i) Fossil fuels or electricity exported from this state. Export to Indian country located within the boundaries of this state is not considered export outside this state. For purposes of this subsection (1)(c)(i), "Indian country" has the same meaning as provided in RCW 37.12.160.

(ii) An exporter of fossil fuels or electricity upon which another person previously paid the carbon pollution tax or for which allowances were purchased in a state-administered greenhouse gas emissions trading program is entitled to a credit or refund of the tax paid, if the exporter can establish to the department's satisfaction that the tax under this chapter was previously paid on the exported fossil fuels or electricity. The person who paid the carbon pollution tax is not entitled to an exemption under this subsection (1)(c) when some other person is entitled to a refund or credit under this subsection (1)(c)(ii). For purposes of this subsection (1)(c)(ii), "exporter" means a person who exports fossil fuels or electricity from this state;

(d) Fossil fuels or electricity sold to or used by a light and power business, as defined in RCW 82.16.010, for coal transition power as defined in RCW 80.80.010(5); or

(e) Diesel fuel, biodiesel fuel, or aircraft fuel when these fuels are used solely for agricultural purposes by a farm fuel user, as those terms are defined in RCW 82.08.865.

(2) If a person pays the carbon pollution tax, or a comparable carbon pollution tax imposed by another state, on fossil fuels that are consumed in the generation of electricity sold for consumption in this state, or purchases allowances for those fossil fuels through a state-administered greenhouse gas emissions trading program, the electricity so generated will not be subject to the tax imposed under this chapter provided that the department receives evidence, pursuant to rules adopted by the department, that the tax has been paid by the person using the fossil fuels to generate electricity. The exemption provided in this subsection is limited to the total amount of comparable carbon pollution tax imposed by another state.

(3) Credit is allowed against the cost of the purchase of allowances in a state-administered greenhouse gas emissions trading system or the carbon pollution tax for any comparable carbon pollution tax legally due and paid by the taxpayer or other person to another state with respect to the same fossil fuel or electricity. The amount of the credit may not exceed the lesser of the total amount of comparable carbon pollution tax imposed by another state or the tax liability arising under this chapter with respect to that fossil fuel or electricity.

(4) The definitions in this subsection apply throughout this section unless the context clearly requires otherwise.

(a) "Allowance" means an instrument that permits an entity to emit one metric ton of carbon dioxide equivalent in a state-administered greenhouse gas emissions trading system recognized by the department of commerce.

(b) "Comparable carbon pollution tax" means a tax that is:

(i) Imposed on the sale, use, possession, transfer, or consumption of fossil fuels, or the sale, consumption, or generation of electricity produced through the combustion of fossil fuels, and that is not generally imposed on other activities or privileges; and

(ii) Measured by the carbon dioxide emissions resulting from the complete combustion or oxidation of such fossil fuels, or the carbon dioxide inherent in such electricity, in terms of carbon dioxide emissions.

(c) "State" means (i) the state of Washington, (ii) a state of the United States other than Washington, or any political subdivision of such other state, (iii) the District of Columbia, and (iv) any foreign country or political subdivision thereof.

NEW SECTION. **Sec.**  RULE-MAKING AND OTHER ADMINISTRATIVE AUTHORITY. (1) The provisions of chapter 82.32 RCW apply to this chapter.

(2) The department, department of ecology, and the department of commerce may adopt rules as they deem necessary to administer this chapter.

NEW SECTION. **Sec.**  TAXPAYER REPORTS. (1) As part of a taxpayer's tax reporting obligation, each taxpayer remitting the carbon pollution tax on electricity as provided in section 102(1)(a)(ii) of this act must file with the department a carbon content report containing the information contained in RCW 19.29A.060 and such other information as the department may require for purposes of this chapter, together with the tax calculated thereon based on tax tables adopted by the department pursuant to section 102(7) of this act. If the taxpayer cannot identify the resources, the department must assume the carbon content inherent in that electricity to be one metric ton of carbon dioxide per megawatt-hour.

(2) For purposes of determining the tax due under this chapter, the department must use the carbon calculation provided in section 102(3) of this act.

(3) As part of a taxpayer's tax reporting obligation, each taxpayer remitting the carbon pollution tax on fossil fuels as provided in section 102(1)(a)(i) of this act, must file with the department a report that details the fossil fuels used in the refining process and the fuel types and quantities produced for sale into the state each year, and such other information as the department may require for purposes of reporting tax due under this chapter, together with the tax due thereon based on the tax tables adopted by the department pursuant to section 102(7) of this act.

(4) If the information required in subsection (1) or (2) of this section is not available, the taxpayer may file an interim report based on estimates, together with an estimated tax payment based thereon and then file a final report no later than six months after the due date of the report required under this section. The department must add interest on amounts overpaid and penalties and interest on amounts underpaid in accordance with chapter 82.32 RCW.

(5) All information submitted to the department under this section is considered taxpayer information under RCW 82.32.330 and is not subject to disclosure.

NEW SECTION. **Sec.**  REPORT BY DEPARTMENT. On or before October 31st of each year from 2019 through 2029 and biennially thereafter, the department must submit a report to the governor and the legislature containing the following with respect to the annual or biennial period ending December 31st immediately preceding the reporting date, annualized if in a biennial report:

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

(2) Estimated costs incurred by the department, the department of commerce, the department of ecology, and the Washington State University extension energy program directly associated with administration of the carbon pollution tax shown both in dollar amounts and as a percentage of the total amount of carbon pollution tax revenues collected. The department of ecology, the department of commerce, and Washington State University extension energy program must report its estimated administrative costs under this subsection to the department each year at least two weeks before the deadline for the report required under this section;

(3) The estimated overall net revenue gain or loss calculated by comparison of subsections (1) and (2) of this section in dollar amounts and as a percentage of carbon pollution tax revenues collected; and

(4) A summary produced by the department of commerce of the investments made through its administration of the carbon reduction investment fund created in section 301 of this act. The summary should include amounts invested in each program area, project descriptions, names of grant recipients, an estimate of the greenhouse gas emissions reductions achieved or anticipated via the investments, and other pertinent information or information as periodically requested by the legislature. The department of commerce must provide the summary described under this subsection to the department each year at least two weeks before the deadline required for the report required under this section.

NEW SECTION. **Sec.**  TECHNICAL ASSISTANCE. Upon request of the department, the departments of commerce and ecology and the Washington State University extension energy program must provide technical assistance to the department as may be necessary for the department to effectively administer this chapter.

NEW SECTION. **Sec.**  CARBON POLLUTION REDUCTION ACCOUNT. (1) The carbon pollution reduction account is created in the state treasury. All receipts from the carbon pollution tax under section 102 of this act, and other moneys directed to the account by the legislature, must be deposited into the account. Moneys in the account may only be spent after appropriation. Beginning in fiscal year 2019 and for each fiscal year thereafter, moneys in the account may only be used for the following purposes:

(a) Fifteen percent of the moneys or two hundred fifty million dollars, whichever is greater, for water infrastructure and forest health projects;

(b) Fifteen percent of the moneys or two hundred fifty million dollars, whichever is greater, for clean energy and clean transportation investments. Moneys in this subsection (1)(b) must be used as follows:

(i) At least sixty million dollars for research, development, demonstration, and pilot development of clean energy technology, for projects awarded through the clean energy fund administered by the department of commerce;

(ii) An amount sufficient to support appropriations in the omnibus capital appropriations act for weatherization, energy efficiency and solar grants, building envelope repairs, or other public building energy efficiency projects; and

(iii) The remainder to the carbon reduction investment fund created in section 301 of this act;

(c) Six percent of the moneys or one hundred million dollars, whichever is greater, to relieve the price impact of the carbon pollution tax including, but not limited to, the following programs:

(i) The aged, blind, or disabled cash assistance program;

(ii) The temporary assistance for needy families program; or

(iii) The low-income home energy assistance program;

(d) Twelve percent of the moneys or two hundred million dollars, whichever is greater, for jobs and competitiveness programs in part II and part III of this act. Moneys in this subsection (1)(d) must be used as follows:

(i) Twenty million dollars for workforce training assistance programs as prioritized by the employment security department;

(ii) Transfers to the state general fund as directed in the omnibus operating appropriations act for the cost of small business tax relief provided in part II of this act; and

(iii) The remainder to the carbon reduction investment fund created in section 301 of this act for industrial energy efficiency and clean manufacturing projects that help Washington manufacturers reduce their carbon intensity and lower their carbon pollution tax obligations under this act; and

(e) The department's and other agencies' costs to support and administer the carbon pollution tax and program administration for investments made through this act.

(2) The remainder of the moneys in the account must be transferred to the education legacy trust account created in RCW 83.100.230.

(3) For fiscal year 2018, the legislature may direct the state treasurer to make transfers of moneys from the carbon pollution reduction account to the state general fund for costs associated with part II of this act prior to July 1, 2018.

NEW SECTION. **Sec.**  RCW 82.32.805 and 82.32.808 do not apply to the new tax preferences, as defined in RCW 82.32.805, created in section 103, chapter . . ., Laws of 2017 (section 103 of this act).

**PART II**

**SMALL BUSINESS TAX RELIEF**

**Sec.**  RCW 82.32.045 and 2010 1st sp.s. c 23 s 1103 are each amended to read as follows:

(1) Except as otherwise provided in this chapter, payments of the taxes imposed under chapters 82.04, 82.08, 82.12, 82.14, and 82.16 RCW, along with reports and returns on forms prescribed by the department, are due monthly within twenty-five days after the end of the month in which the taxable activities occur.

(2) The department of revenue may relieve any taxpayer or class of taxpayers from the obligation of remitting monthly and may require the return to cover other longer reporting periods, but in no event may returns be filed for a period greater than one year. For these taxpayers, tax payments are due on or before the last day of the month next succeeding the end of the period covered by the return.

(3) The department of revenue may also require verified annual returns from any taxpayer, setting forth such additional information as it may deem necessary to correctly determine tax liability.

(4) Notwithstanding subsections (1) and (2) of this section, the department may relieve any person of the requirement to file returns and pay any taxes otherwise due under chapters 82.04 and 82.16 RCW if the following conditions are met:

(a) The person's value of products, gross proceeds of sales, or gross income of the business, from all business activities taxable under chapter 82.04 RCW, is ((~~less than:~~

~~(i) Twenty-eight thousand dollars per year; or~~

~~(ii) Forty-six thousand six hundred sixty-seven dollars per year~~));

(i) For persons generating less than fifty percent of their taxable amount from activities taxable under RCW 82.04.255, 82.04.290(2)(a), and 82.04.285, less than:

(A) Twenty-eight thousand dollars per year through June 30, 2018;

(B) One hundred thousand dollars per year beginning July 1, 2018; or

(ii) For persons generating at least fifty percent of their taxable amount from activities taxable under RCW 82.04.255, 82.04.290(2)(a), and 82.04.285 less than one hundred thousand dollars per year;

(b) The person's gross income of the business from all activities taxable under chapter 82.16 RCW is less than twenty-four thousand dollars per year; and

(c) The person is not required to collect or pay to the department of revenue any other tax or fee which the department is authorized to collect.

**Sec.**  RCW 82.04.4451 and 2010 1st sp.s. c 23 s 1102 are each amended to read as follows:

(1) In computing the tax imposed under this chapter, a credit is allowed against the amount of tax otherwise due under this chapter, as provided in this section. The maximum credit for a taxpayer for a reporting period is determined by multiplying the applicable maximum monthly credit amount provided in (a) or (b) of this subsection (1) by the number of months in the reporting period, as determined under RCW 82.32.045.

(a) Except for taxpayers that report at least fifty percent of their taxable amount under RCW 82.04.255, 82.04.290(2)(a), and 82.04.285, the maximum ((~~credit for a taxpayer for a reporting period is thirty-five dollars multiplied by the number of months in the reporting period, as determined under RCW 82.32.045~~)) monthly credit amount for a taxpayer is:

(i) Thirty-five dollars through June 30, 2018; and

(ii) One hundred twenty-five dollars beginning July 1, 2018.

(b) For a taxpayer that reports at least fifty percent of its taxable amount under RCW 82.04.255, 82.04.290(2)(a), and 82.04.285, the maximum ((~~credit for a reporting period is seventy dollars multiplied by the number of months in the reporting period, as determined under RCW 82.32.045~~)) monthly credit amount is one hundred twenty-five dollars.

(2) When the amount of tax otherwise due under this chapter is equal to or less than the maximum credit, a credit is allowed equal to the amount of tax otherwise due under this chapter.

(3) When the amount of tax otherwise due under this chapter exceeds the maximum credit, a reduced credit is allowed equal to twice the maximum credit, minus the tax otherwise due under this chapter, but not less than zero.

(4) The department may prepare a tax credit table consisting of tax ranges using increments of no more than five dollars and a corresponding tax credit to be applied to those tax ranges. The table shall be prepared in such a manner that no taxpayer will owe a greater amount of tax by using the table than would be owed by performing the calculation under subsections (1) through (3) of this section. A table prepared by the department under this subsection must be used by all taxpayers in taking the credit provided in this section.

**PART III**

**CARBON REDUCTION INVESTMENT FUND**

NEW SECTION. **Sec.**  The carbon reduction investment fund is created in the state treasury. Funds specified under section 108 of this act, and other moneys directed by the legislature, must be deposited in the fund. Moneys in the fund must only be used for the purposes described in this section, and may only be spent after appropriation.

(1) The department of commerce must manage the fund and in the role of manager must solicit proposals and award funding for projects that reduce greenhouse gas emissions, improve energy efficiency, and support jobs in Washington state.

(2) The department of commerce must consult with the department of ecology and the Washington State University extension energy program in the design of four program areas for investments and in the review of proposals submitted within each of these program areas:

(a) Industrial energy efficiency. Manufacturers as defined in RCW 82.04.110 may propose projects that increase the energy efficiency or reduce the greenhouse gas emissions of its facility including, but not limited to, proposals to implement combined heat and power, district energy, on-site renewables, or to upgrade existing equipment such as boilers to more efficient models and to switch to less carbon intensive fuel sources. Projects that reduce process emissions may also be considered;

(b) Clean transportation. Managers of transportation fleets, transit agencies, and others may propose projects that reduce transportation-related emissions including, but not limited to, proposals that exceed workplace targets for commute trip reduction under the authority of chapter 70.94 RCW; accelerate the electrification of, or use of hydrogen fuel cell technology to fuel, public transit vehicles and light duty vehicle fleets; create electric vehicle charging or hydrogen refueling infrastructure; and proposals that implement biomethane or other gaseous or liquid biofuels for transportation that result in reduced greenhouse gas emissions;

(c) Energy efficiency for existing buildings. Building owners and facility managers may propose projects that improve energy efficiency and utilize demand side management of electricity, including the use of natural gas and other fossil fuel consumption proposals when they deliver emission reductions that meet the requirements set forth in subsection (3) of this section; and

(d) Other technologies. The department may, in consultation with the department of ecology and the Washington State University extension energy program, solicit proposals that deploy new and emerging technologies to reduce the carbon intensity of energy and are not explicitly covered by the programs in (a) through (c) of this subsection. The department of commerce may award funds for projects that include, but are not limited to, energy efficiency in the agricultural sector, development of new fuel sources, and synthetic natural gas.

(3) The department of commerce must by rule develop the process and mechanisms to solicit, review, approve, and award proposals, after evaluating the suitability of reverse auctions, request for proposals, or other means before selecting one or more approaches. Project proposals must be judged by criteria set in rule that must include, but not be limited to:

(a) Metric tons of carbon dioxide equivalent emissions avoided over the lifetime of the project that are:

(i) Real, specific, quantifiable, and identifiable emission reductions; and

(ii) Achieve emission reductions in addition to existing law, statute, or legal requirement;

(b) Cost-effective compared to other proposals submitted within the same program area; and

(c) Include matching funds from nonstate sources.

(4) Projects must be designed in accordance with existing greenhouse gas emission protocols approved by the department of commerce or, where none exist for the proposed activity, per methodologies developed or approved by the department of commerce.

(5) The department of commerce must coordinate with relevant agencies and organizations to ensure that investments complement and build upon related efforts of other programs including the electric vehicle infrastructure bank and existing utility efficiency programs.

(6) Funded project proponents must submit to the department of commerce a progress report at least annually on the anniversary date of the contract execution. The progress report must be delivered in a format specified by the department of commerce and must include the following in addition to any such information as the department of commerce requires in the terms of the contract:

(a) Summary of the investments made and technology installed and deployed;

(b) An estimate of the avoided greenhouse gas emissions since the date of the signed contract or the last report;

(c) Verification from a qualified third party, as identified by the department of commerce, who must report on:

(i) Whether the project was built or implemented according to the proposed design and any protocols or methodologies that were referenced in the proposal, as approved in the funding contract;

(ii) The verification plan that details the methods used to evaluate the project;

(iii) Their review of the proponent's accounting of emission reductions;

(iv) The site visits conducted;

(v) Any inconsistencies in the proponent's accounting, assessment of these inconsistencies' impacts on the integrity of the reductions, and recommendations for remedial action; and

(vi) Any additional data as the department of commerce identifies in rule making that it requires to sufficiently evaluate the project and to provide the highest integrity and verification of emission reductions.

(7) The department of commerce must design project funding contracts, monitor project implementation, and track contract performance, to actively assist the project proponent in securing the expected project outcomes.

NEW SECTION. **Sec.**  The department of commerce may adopt rules as it deems necessary to administer this chapter.

**PART IV**

**MISCELLANEOUS**

NEW SECTION. **Sec.**  This act may be known and cited as the carbon pollution tax and investment act.

NEW SECTION. **Sec.**  Sections 101 through 108 of this act constitute a new chapter in Title 82 RCW.

NEW SECTION. **Sec.**  Sections 301 and 302 of this act constitute a new chapter in Title 43 RCW.

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

NEW SECTION. **Sec.**  Sections 201 and 202 of this act are necessary for the immediate preservation of the public peace, health, or safety, or support of the state government and its existing public institutions, and take effect July 1, 2017.

**--- END ---**