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**HOUSE BILL 1868**

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

**By** Representatives Peterson, Doglio, Lytton, Farrell, Gregerson, Fitzgibbon, Stonier, Appleton, Stanford, Robinson, Ortiz-Self, Macri, Pollet, Tharinger, and Ormsby

AN ACT Relating to investing in water infrastructure on tribal lands to protect the environment by imposing a tax on oil shipped into Washington via pipeline; amending RCW 82.23B.020 and 90.56.510; reenacting and amending RCW 82.23B.010; adding a new section to chapter 90.48 RCW; and creating a new section.

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

NEW SECTION. **Sec.**  (1) The legislature finds that the transport of oil by pipeline carries inherent risks of spills, and that the construction of oil infrastructure is accompanied by environmental harms that are imposed in places and upon people who do not reap comparable economic benefits from those projects. Furthermore, the legislature finds that in the case of the Dakota Access Pipeline being constructed from North Dakota to Illinois, the sovereignty of tribes whose lands lie in the pipelines' path is being impinged. Well-founded concerns about protecting tribal lands, waters, and resources from degradation are at risk of being ignored by a federal government newly intent on greenlighting the pipeline's path. The legislature finds that it is unjust to allow short-term and shortsighted profits from the pipeline to accrue to a connected few, while placing environmental risks and burdens on marginalized groups.

(2) Therefore, it is the legislature's intent to do its part toward rectifying the injustices borne out on tribal lands and waters that result from the construction of oil pipelines elsewhere in the United States by:

(a) Imposing a tax on oil entering the state by pipeline; and

(b) Using the proceeds from the tax to ensure that tribal waters in Washington state receive investments to improve water quality as means of beginning to counterbalance the degradation that is being foisted upon tribal waters elsewhere in the United States.

**Sec.**  RCW 82.23B.010 and 2015 c 274 s 13 are each reenacted and amended to read as follows:

The definitions in this section apply throughout this chapter unless the context clearly requires otherwise.

(1) "Barrel" means a unit of measurement of volume equal to forty-two United States gallons of crude oil or petroleum product.

(2) "Bulk oil terminal" means a facility of any kind, other than a waterborne vessel, that is used for transferring crude oil or petroleum products from a tank car or pipeline.

(3) "Crude oil" means any naturally occurring hydrocarbons coming from the earth that are liquid at twenty-five degrees Celsius and one atmosphere of pressure including, but not limited to, crude oil, bitumen and diluted bitumen, synthetic crude oil, and natural gas well condensate.

(4) "Department" means the department of revenue.

(5) "Marine terminal" means a facility of any kind, other than a waterborne vessel, that is used for transferring crude oil or petroleum products to or from a waterborne vessel or barge.

(6) "Navigable waters" means those waters of the state and their adjoining shorelines that are subject to the ebb and flow of the tide, including the Columbia and Snake rivers.

(7) "Person" has the meaning provided in RCW 82.04.030.

(8) "Petroleum product" means any liquid hydrocarbons at atmospheric temperature and pressure that are the product of the fractionation, distillation, or other refining or processing of crude oil, and that are used as, useable as, or may be refined as a fuel or fuel blendstock, including but not limited to, gasoline, diesel fuel, aviation fuel, bunker fuel, and fuels containing a blend of alcohol and petroleum.

(9) "Pipeline" means an interstate or intrastate pipeline subject to regulation by the United States department of transportation under 49 C.F.R. Part 195 in effect on the effective date of this section, through which oil moves in transportation, including line pipes, valves, and other appurtenances connected to line pipes, pumping units, and fabricated assemblies associated with pumping units.

(10) "Tank car" means a rail car, the body of which consists of a tank for transporting liquids.

((~~(10)~~)) (11) "Taxpayer" means the person owning crude oil or petroleum products immediately after receipt of the same into the storage tanks of a marine or bulk oil terminal in this state and who is liable for the taxes imposed by this chapter.

((~~(11)~~)) (12) "Waterborne vessel or barge" means any ship, barge, or other watercraft capable of traveling on the navigable waters of this state and capable of transporting any crude oil or petroleum product in quantities of ten thousand gallons or more for purposes other than providing fuel for its motor or engine.

**Sec.**  RCW 82.23B.020 and 2015 c 274 s 14 are each amended to read as follows:

(1) An oil spill response tax is imposed on the privilege of receiving: (a) Crude oil or petroleum products at a marine terminal within this state from a waterborne vessel or barge operating on the navigable waters of this state; ((~~or~~)) (b) crude oil or petroleum products at a bulk oil terminal within this state from a tank car; or (c) crude oil or petroleum products at a bulk oil terminal within this state from a pipeline. The tax imposed in this section is levied upon the owner of the crude oil or petroleum products immediately after receipt of the same into the storage tanks of a marine or bulk oil terminal from a tank car or waterborne vessel or barge at the rate of one cent per barrel of crude oil or petroleum product received.

(2) In addition to the tax imposed in subsection (1) of this section, an oil spill administration tax is imposed on the privilege of receiving: (a) Crude oil or petroleum products at a marine terminal within this state from a waterborne vessel or barge operating on the navigable waters of this state; ((~~or~~)) (b) crude oil or petroleum products at a bulk oil terminal within this state from a tank car; or (c) crude oil or petroleum products at a bulk oil terminal within this state from a pipeline. The tax imposed in this section is levied upon the owner of the crude oil or petroleum products immediately after receipt of the same into the storage tanks of a marine or bulk oil terminal from a tank car, pipeline, or waterborne vessel or barge. The tax is levied at the rate of four cents per barrel of crude oil or petroleum product.

(3) The taxes imposed by this chapter must be collected by the marine or bulk oil terminal operator from the taxpayer. If any person charged with collecting the taxes fails to bill the taxpayer for the taxes, or in the alternative has not notified the taxpayer in writing of the taxes imposed, or having collected the taxes, fails to pay them to the department in the manner prescribed by this chapter, whether such failure is the result of the person's own acts or the result of acts or conditions beyond the person's control, he or she, nevertheless, is personally liable to the state for the amount of the taxes. Payment of the taxes by the owner to a marine or bulk oil terminal operator relieves the owner from further liability for the taxes.

(4) Taxes collected under this chapter must be held in trust until paid to the department. Any person collecting the taxes who appropriates or converts the taxes collected is guilty of a gross misdemeanor if the money required to be collected is not available for payment on the date payment is due. The taxes required by this chapter to be collected must be stated separately from other charges made by the marine or bulk oil terminal operator in any invoice or other statement of account provided to the taxpayer.

(5) If a taxpayer fails to pay the taxes imposed by this chapter to the person charged with collection of the taxes and the person charged with collection fails to pay the taxes to the department, the department may, in its discretion, proceed directly against the taxpayer for collection of the taxes.

(6) The taxes are due from the marine or bulk oil terminal operator, along with reports and returns on forms prescribed by the department, within twenty-five days after the end of the month in which the taxable activity occurs.

(7) The amount of taxes, until paid by the taxpayer to the marine or bulk oil terminal operator or to the department, constitutes a debt from the taxpayer to the marine or bulk oil terminal operator. Any person required to collect the taxes under this chapter who, with intent to violate the provisions of this chapter, fails or refuses to do so as required and any taxpayer who refuses to pay any taxes due under this chapter, is guilty of a misdemeanor as provided in chapter 9A.20 RCW.

(8) Upon prior approval of the department, the taxpayer may pay the taxes imposed by this chapter directly to the department. The department must give its approval for direct payment under this section whenever it appears, in the department's judgment, that direct payment will enhance the administration of the taxes imposed under this chapter. The department must provide by rule for the issuance of a direct payment certificate to any taxpayer qualifying for direct payment of the taxes. Good faith acceptance of a direct payment certificate by a terminal operator relieves the marine or bulk oil terminal operator from any liability for the collection or payment of the taxes imposed under this chapter.

(9) All receipts from the tax imposed in subsection (1) of this section must be deposited into the state oil spill response account created in RCW 90.56.500. All receipts from the tax imposed in subsection (2)(a) and (b) of this section shall be deposited into the oil spill prevention account created in RCW 90.56.510. Receipts from the tax imposed in subsection (2)(c) of this section must be deposited into the tribal water protection fund established in section 4 of this act.

(10) Within forty-five days after the end of each calendar quarter, the office of financial management must determine the balance of the oil spill response account as of the last day of that calendar quarter. Balance determinations by the office of financial management under this section are final and may not be used to challenge the validity of any tax imposed under this chapter. The office of financial management must promptly notify the departments of revenue and ecology of the account balance once a determination is made. For each subsequent calendar quarter, the tax imposed by subsection (1) of this section shall be imposed during the entire calendar quarter unless:

(a) Tax was imposed under subsection (1) of this section during the immediately preceding calendar quarter, and the most recent quarterly balance is more than nine million dollars; or

(b) Tax was not imposed under subsection (1) of this section during the immediately preceding calendar quarter, and the most recent quarterly balance is more than eight million dollars.

NEW SECTION. **Sec.**  A new section is added to chapter 90.48 RCW to read as follows:

(1) The tribal water protection fund is hereby established in the state treasury. Moneys in the fund may be spent only after legislative appropriation. Receipts from RCW 82.23B.020(2)(c) must be deposited in the fund. Moneys in the fund may be spent only in a manner consistent with this chapter.

(2) The fund must be used exclusively to provide financial assistance in the form of grants or loans for the following purposes:

(a) For the construction or replacement of water pollution control facilities as defined in the clean water act; and

(b) For the implementation of activities to manage nonpoint sources of pollution.

(3) The fund must be used exclusively to provide financial assistance for projects taking place within or benefiting waters within Indian country, as defined in 18 U.S.C. Sec. 1151, or in the usual and accustomed fishing areas of an Indian tribe.

(4) Grant or loan proposals put forward by Indian tribal organizations, including federally recognized Indian tribes or tribal entities, must receive priority consideration for use of the funds in the fund.

**Sec.**  RCW 90.56.510 and 2015 c 274 s 7 are each amended to read as follows:

(1) The oil spill prevention account is created in the state treasury. All receipts from RCW 82.23B.020(2) ((~~shall~~)) (a) and (b) must be deposited in the account. Moneys from the account may be spent only after appropriation. The account is subject to allotment procedures under chapter 43.88 RCW. If, on the first day of any calendar month, the balance of the oil spill response account is greater than nine million dollars and the balance of the oil spill prevention account exceeds the unexpended appropriation for the current biennium, then the tax under RCW 82.23B.020(2) ((~~shall~~)) must be suspended on the first day of the next calendar month until the beginning of the following biennium, provided that the tax shall not be suspended during the last six months of the biennium. If the tax imposed under RCW 82.23B.020(2) is suspended during two consecutive biennia, the department shall by November 1st after the end of the second biennium, recommend to the appropriate standing committees an adjustment in the tax rate. For the biennium ending June 30, 1999, and the biennium ending June 30, 2001, the state treasurer may transfer a total of up to one million dollars from the oil spill response account to the oil spill prevention account to support appropriations made from the oil spill prevention account in the omnibus appropriations act adopted not later than June 30, 1999.

(2) Expenditures from the oil spill prevention account shall be used exclusively for the administrative costs related to the purposes of this chapter, and chapters 90.48, 88.40, and 88.46 RCW. In addition, until June 30, 2019, expenditures from the oil spill prevention account may be used, subject to amounts appropriated specifically for this purpose, for the development and annual review of local emergency planning committee emergency response plans in RCW 38.52.040(3). Starting with the 1995-1997 biennium, the legislature shall give activities of state agencies related to prevention of oil spills priority in funding from the oil spill prevention account. Costs of prevention include the costs of:

(a) Routine responses not covered under RCW 90.56.500;

(b) Management and staff development activities;

(c) Development of rules and policies and the statewide plan provided for in RCW 90.56.060;

(d) Facility and vessel plan review and approval, drills, inspections, investigations, enforcement, and litigation;

(e) Interagency coordination and public outreach and education;

(f) Collection and administration of the tax provided for in chapter 82.23B RCW; and

(g) Appropriate travel, goods and services, contracts, and equipment.

(3) Before expending moneys from the account for a response under subsection (2)(a) of this section, but without delaying response activities, the director ((~~shall~~)) must make reasonable efforts to obtain funding for response costs under this section from the person responsible for the spill and from other sources, including the federal government.

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