

SENATE BILL REPORT

SHB 2182

As of April 18, 2017

Title: An act relating to creating the tiered taxation on hazardous substance possession to provide for the current program's immediate needs and a more stable source of revenue in the future act of 2017.

Brief Description: Relating to providing a tiered tax on the possession of hazardous substances to provide for the current program's immediate needs and a more stable source of revenue in the future.

Sponsors: House Committee on Capital Budget (originally sponsored by Representative Peterson).

Brief History: Passed House: 4/12/17, 50-47.

Committee Activity: Ways & Means: 4/19/17.

Brief Summary of Bill

- Establishes a tiered rate for the Hazardous Substance tax based on specific thresholds for fiscal years 2018 through 2025.
- Requires the Department of Ecology, in consultation with the Department of Revenue, to provide reports every two years regarding revenues, projected operating, and capital demand related to cleanup and stormwater projects.

SENATE COMMITTEE ON WAYS & MEANS

Staff: Dean Carlson (786-7305)

Background: Model Toxics Control Act (MTCA). The MTCA, which is administered and enforced by the Department of Ecology (DOE), requires liable parties to clean up sites contaminated with hazardous substances, and it authorizes the DOE to conduct certain pollution prevention activities. Under the MTCA, the State Toxics Control Account (STCA) and the Local Toxics Control Account (LTCA) provide for hazardous and solid waste planning, contaminated site cleanup grants to local governments, and other activities related to hazardous waste prevention, management, and remediation. The Environmental Legacy Stewardship Account (ELSA), created in 2013, provides grants or loans to local governments

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for performance and outcome-based projects, model remedies, demonstrated technologies, procedures, contracts, and project management and oversight that result in significant reductions in the average time spent to complete other authorized projects.

Hazardous Substance Tax. There is a privilege tax on the first possession of hazardous substances in Washington. Hazardous substances include petroleum products, pesticides, and certain chemicals determined by the DOE to present a threat to human health or the environment if released into the environment.

The Hazardous Substance Tax (HST) is based on the wholesale value of the hazardous product. The tax rate is 0.7 percent. All receipts from this tax are distributed as follows:

- 56 percent of the first \$140 million per fiscal year to the STCA;
- 44 percent of the first \$140 million per fiscal year to the LTCA; and
- any amount collected over \$140 million per fiscal year to the ELSA.

In fiscal year (FY) 2013, the HST collected over \$198 million. In the subsequent FY, that amount declined. In FY 2016, the HST collections were \$113.2 million.

Summary of Bill: The HST is revised. For FYs 2018 through 2025, an annual tiered tax rate on hazardous substances is established based on tiered thresholds. The tiered rates are as follows:

- 0.9 percent until HST revenues collected in the FY reach \$110 million;
- 0.7 percent until HST revenues collected in the FY reach \$170 million; and
- 0.21 percent until the first day of the next FY.

The Department of Revenue (DOR) must adjust the thresholds on a biennial basis by the fiscal growth factor, as computed by the Expenditure Limit Committee. The DOR must provide notice as soon as practicable on its website of changes to the rate.

The DOE, in consultation with the DOR, must provide a report by October 1 of 2018, 2020, 2022, and 2024. The report must include operating and capital projected demand, including lists and cost estimates, for cleanup projects and stormwater projects, and include other financing or revenues used for stormwater projects. It must also include an overview of general costs and a timeline to complete projects related to clean up and stormwater, projected revenues under the flat rate, and projected revenues under the tiered rate.

Appropriation: None.

Fiscal Note: Available.

Creates Committee/Commission/Task Force that includes Legislative members: No.

Effective Date: The bill contains an emergency clause and takes effect on July 1, 2017.