
HOUSE BILL 2040

State of Washington

68th Legislature

2024 Regular Session

By Representatives Connors, Dye, Couture, Christian, Chambers, Stokesbary, Eslick, Klicker, Barkis, Graham, Schmidt, and Hutchins

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1 AN ACT Relating to carbon auction rebate payments; amending RCW
2 82.38.030; creating new sections; providing an expiration date; and
3 declaring an emergency.

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

5 NEW SECTION. **Sec. 1.** (1) The legislature finds that
6 Washington's gas prices are higher than almost all other states. The
7 legislature also finds that Washington drivers are facing a
8 substantially higher price for fuel today than they otherwise would
9 because of the climate commitment act. High fuel prices affect
10 transportation costs, the price of everyday goods and services, and
11 essentials like food and housing. The legislature finds that there is
12 an immediate need to provide direct financial relief to consumers
13 struggling with the high cost of fuel by providing a prospective
14 partial rebate of motor vehicle fuel excise taxes, to be funded from
15 the climate commitment act revenues.

16 (2) The legislature recognizes that the citizens reserved to
17 themselves the power to propose laws in Article II of our state
18 Constitution. The legislature finds that direct democracy in the form
19 of the citizen initiative process in Washington is a foundational
20 part of our system of government, and that when hundreds of thousands
21 of Washington registered voters gather sufficient signatures to put a

1 measure before the legislature or the people for a vote, that process
2 should be respected by lawmakers. When an initiative to the
3 legislature is certified, the people deserve to have an up-or-down
4 vote on that measure in the next general election, if the legislature
5 does not enact the measure during its legislative session.

6 (3) The legislature should not confuse the issue: The people have
7 taken the constitutional path to propose a repeal of the climate
8 commitment act. Therefore, the legislature intends for this act to
9 expire prior to the next general election, because carbon auction
10 rebate payments will be unnecessary in future years if the voters of
11 the state choose to repeal the climate commitment act. However, if
12 the people vote to retain the climate commitment act by rejecting the
13 initiative, the legislature intends to make carbon auction rebate
14 payments on a recurring annual basis in order to create a more
15 affordable climate commitment.

16 NEW SECTION. **Sec. 2.** (1) The department of licensing must
17 establish and implement the carbon auction rebate (CAR) program to
18 mitigate the climate commitment act's financial impacts on vehicle
19 owners. The purpose of the CAR program is to offset the impact of the
20 costs of allowances purchased by covered entities under chapter
21 70A.65 RCW on the price of motor vehicle fuel for consumers. The CAR
22 program consists of a partial prospective rebate to registered
23 eligible motor vehicle owners of motor vehicle fuel taxes paid under
24 RCW 82.38.030 from July 1, 2024, to June 30, 2025, but not due under
25 the terms of the program. The rebate consists of a check that is sent
26 to registered eligible vehicle owners and that is payable from carbon
27 auction proceeds received by the state under chapter 70A.65 RCW under
28 the terms of this section. Nothing in the CAR program affects the
29 state's duty to levy and collect motor vehicle fuel taxes under
30 chapter 82.38 RCW.

31 (2) By July 1, 2024, the department of licensing must project the
32 number of unique registered vehicle owners in Washington whose
33 registration will be eligible to be renewed during fiscal year 2025.
34 The department of licensing must also calculate a payment amount that
35 evenly divides the amount of unobligated fund balance in the carbon
36 auction rebate account, as determined in section 3(3) of this act,
37 amongst the projected number of unique registered eligible vehicle
38 owners.

1 (3) Beginning July 1, 2024, and by August 31, 2024, the
2 department of licensing must issue a one-time uniform payment, in the
3 amount determined in subsection (2) of this section, to registered
4 eligible vehicle owners. The department of licensing must:

5 (a) Accompany the issued rebate with an explanation of the source
6 of funds used to provide the carbon auction rebate (CAR) program's
7 rebate;

8 (b) (i) For vehicles registered to multiple persons under this
9 chapter, issue the rebates only in the name of the first person
10 listed on the vehicle's registration unless the first person listed
11 on the vehicle's registration has already received a rebate under the
12 program established in this section, in which case the department
13 must issue the rebate to a second person listed on the vehicle
14 registration who has not previously received a rebate under the
15 program;

16 (ii) For persons to whom multiple vehicles are registered, issue
17 no more than one rebate to any person.

18 (4) Governmental entities, including state agencies, local
19 governments, and special purpose districts, are not eligible to
20 receive a rebate under this section.

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

23 (a) "Eligible vehicle" means trucks registered under RCW
24 46.17.355 and the following vehicle types registered under RCW
25 46.17.350:

26 (i) For hire vehicle, six seats or less;

27 (ii) Moped;

28 (iii) Motorcycle;

29 (iv) Passenger car;

30 (v) Sport utility vehicle; and

31 (vi) Tow truck.

32 (b) "Registered eligible vehicle owner" means a registered owner
33 who has paid all of the fees and taxes due for an original or renewal
34 vehicle registration for an eligible vehicle's current registration
35 year.

36 NEW SECTION. **Sec. 3.** (1) By July 1, 2024, the office of
37 financial management must determine the amount by which the total
38 revenue deposited into climate commitment act accounts for fiscal
39 year 2023 and fiscal year 2024 exceeded the total legislative

1 appropriations made during the 2022 and 2023 legislative sessions
2 from climate commitment act accounts for fiscal year 2023 and fiscal
3 year 2024.

4 (2) On July 1, 2024, the office of financial management must
5 direct the state treasurer to transfer the amount determined in
6 subsection (1) of this section from a climate commitment act account
7 or accounts with sufficient fund balance into the carbon auction
8 rebate account created in section 4 of this act.

9 (3) By July 1, 2024, the office of financial management must
10 determine the amount of carbon auction rebate account fund balance
11 resulting from the transfer in subsection (2) of this section that is
12 not obligated by legislative appropriations for department of
13 licensing administrative costs. The office of financial management
14 must provide the information in this subsection to the department of
15 licensing.

16 (4) For the purposes of this subsection, "climate commitment act
17 accounts" means the carbon emissions reduction account created in RCW
18 70A.65.240, the climate commitment account created in RCW 70A.65.260,
19 the natural climate solutions account created in RCW 70A.65.270, the
20 climate investment account created in RCW 70A.65.250, the air quality
21 and health disparities improvement account created in RCW 70A.65.280,
22 the climate transit programs account created in RCW 46.68.500, and
23 the climate active transportation account created in RCW 46.68.490.

24 NEW SECTION. **Sec. 4.** The carbon auction rebate account is
25 created in the state treasury. All receipts from money directed to
26 the account must be deposited in the account. Money in the account
27 may be spent only after appropriation. Expenditures from the account
28 may be used only to fund the carbon auction rebate (CAR) program
29 administered by the department of licensing consistent with section 2
30 of this act and for the costs of administering the CAR program.

31 **Sec. 5.** RCW 82.38.030 and 2015 3rd sp.s. c 44 s 103 are each
32 amended to read as follows:

33 (1) There is levied and imposed upon fuel licensees a tax at the
34 rate of (~~twenty-three~~) 23 cents per gallon of fuel.

35 (2) Beginning July 1, 2003, an additional and cumulative tax rate
36 of (~~five~~) 5 cents per gallon of fuel is imposed on fuel licensees.
37 This subsection (2) expires when the bonds issued for transportation
38 2003 projects are retired.

1 (3) Beginning July 1, 2005, an additional and cumulative tax rate
2 of (~~three~~) 3 cents per gallon of fuel is imposed on fuel licensees.

3 (4) Beginning July 1, 2006, an additional and cumulative tax rate
4 of (~~three~~) 3 cents per gallon of fuel is imposed on fuel licensees.

5 (5) Beginning July 1, 2007, an additional and cumulative tax rate
6 of (~~two~~) 2 cents per gallon of fuel is imposed on fuel licensees.

7 (6) Beginning July 1, 2008, an additional and cumulative tax rate
8 of (~~one and one-half~~) 1.5 cents per gallon of fuel is imposed on
9 fuel licensees.

10 (7) Beginning August 1, 2015, an additional and cumulative tax
11 rate of (~~seven~~) 7 cents per gallon of fuel is imposed on fuel
12 licensees.

13 (8) Beginning July 1, 2016, an additional and cumulative tax rate
14 of (~~four and nine-tenths~~) 4.9 cents per gallon of fuel is imposed
15 on fuel licensees.

16 (9) Taxes are imposed when:

17 (a) Fuel is removed in this state from a terminal if the fuel is
18 removed at the rack unless the removal is by a licensed supplier or
19 distributor for direct delivery to a destination outside of the
20 state, or the removal is by a fuel supplier for direct delivery to an
21 international fuel tax agreement licensee under RCW 82.38.320;

22 (b) Fuel is removed in this state from a refinery if either of
23 the following applies:

24 (i) The removal is by bulk transfer and the refiner or the owner
25 of the fuel immediately before the removal is not a licensed
26 supplier; or

27 (ii) The removal is at the refinery rack unless the removal is to
28 a licensed supplier or distributor for direct delivery to a
29 destination outside of the state, or the removal is to a licensed
30 supplier for direct delivery to an international fuel tax agreement
31 licensee under RCW 82.38.320;

32 (c) Fuel enters into this state for sale, consumption, use, or
33 storage, unless the fuel enters this state for direct delivery to an
34 international fuel tax agreement licensee under RCW 82.38.320, if
35 either of the following applies:

36 (i) The entry is by bulk transfer and the importer is not a
37 licensed supplier; or

38 (ii) The entry is not by bulk transfer;

1 (d) Fuel enters this state by means outside the bulk transfer-
2 terminal system and is delivered directly to a licensed terminal
3 unless the owner is a licensed distributor or supplier;

4 (e) Fuel is sold or removed in this state to an unlicensed entity
5 unless there was a prior taxable removal, entry, or sale of the fuel;

6 (f) Blended fuel is removed or sold in this state by the blender
7 of the fuel. The number of gallons of blended fuel subject to tax is
8 the difference between the total number of gallons of blended fuel
9 removed or sold and the number of gallons of previously taxed fuel
10 used to produce the blended fuel;

11 (g) Dyed special fuel is used on a highway, as authorized by the
12 internal revenue code, unless the use is exempt from the fuel tax;

13 (h) Dyed special fuel is held for sale, sold, used, or is
14 intended to be used in violation of this chapter;

15 (i) Special fuel purchased by an international fuel tax agreement
16 licensee under RCW 82.38.320 is used on a highway; and

17 (j) Fuel is sold by a licensed fuel supplier to a fuel
18 distributor or fuel blender and the fuel is not removed from the bulk
19 transfer-terminal system.

20 (10) Taxes paid under this section from July 1, 2024, to June 30,
21 2025, are subject to a partial rebate under the terms of section 2 of
22 this act. This does not affect the state's duty to levy and collect
23 motor vehicle fuel taxes under this section.

24 NEW SECTION. Sec. 6. This act expires October 31, 2024.

25 NEW SECTION. Sec. 7. This act is necessary for the immediate
26 preservation of the public peace, health, or safety, or support of
27 the state government and its existing public institutions, and takes
28 effect immediately.

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