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**HOUSE BILL 2040**

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**State of Washington 68th Legislature 2024 Regular Session**

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

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

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

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

(2) The legislature recognizes that the citizens reserved to themselves the power to propose laws in Article II of our state Constitution. The legislature finds that direct democracy in the form of the citizen initiative process in Washington is a foundational part of our system of government, and that when hundreds of thousands of Washington registered voters gather sufficient signatures to put a measure before the legislature or the people for a vote, that process should be respected by lawmakers. When an initiative to the legislature is certified, the people deserve to have an up-or-down vote on that measure in the next general election, if the legislature does not enact the measure during its legislative session.

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

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

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

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

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

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

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

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

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

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

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

(ii) Moped;

(iii) Motorcycle;

(iv) Passenger car;

(v) Sport utility vehicle; and

(vi) Tow truck.

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

NEW SECTION. **Sec.**  (1) By July 1, 2024, the office of financial management must determine the amount by which the total revenue deposited into climate commitment act accounts for fiscal year 2023 and fiscal year 2024 exceeded the total legislative appropriations made during the 2022 and 2023 legislative sessions from climate commitment act accounts for fiscal year 2023 and fiscal year 2024.

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

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

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

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

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

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

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

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

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

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

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

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

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

(9) Taxes are imposed when:

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

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

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

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

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

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

(ii) The entry is not by bulk transfer;

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

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

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

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

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

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

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

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

NEW SECTION. **Sec.**  This act expires October 31, 2024.

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

**--- END ---**