
SUBSTITUTE HOUSE BILL 2322

State of Washington 69th Legislature 2026 Regular Session

By House Environment & Energy (originally sponsored by
Representatives Dent, Hackney, Barnard, and Hill)

READ FIRST TIME 02/04/26.

1 AN ACT Relating to providing certainty for the development of
2 low-to-zero carbon alternative jet fuel production in Washington
3 state; amending RCW 82.04.287, 82.04.436, 82.04.4361, and 82.16.187;
4 creating a new section; and providing expiration dates.

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

6 NEW SECTION. **Sec. 1.** (1) The legislature finds that:

7 (a) Constructing alternative jet fuel production facilities
8 requires significant capital investment and long development
9 timelines;

10 (b) Encouraging and supporting the production and use of
11 alternative jet fuel, also known as sustainable aviation fuel,
12 supports the achievement of the state's emissions limits and the
13 goals of state climate policies such as the clean fuels program,
14 climate commitment act, and clean energy transformation act by taking
15 advantage of our legacy and new renewable resources and providing
16 certainty in accessing the available economic incentives targeted to
17 reduce the carbon intensity of aviation fuel; and

18 (c) The terms "alternative jet fuel," "sustainable aviation
19 fuel," "production," and "manufacturing" are used in various statutes
20 with similar meanings for defining the production and end use of low
21 carbon, nonfossil fuel-based jet fuel. This finding is not intended

1 to alter the definitions of these terms as used in those statutes,
2 but rather to encourage similar interpretation of these terms when
3 encountered in statute or rule.

4 (2) Therefore, the legislature intends to:

5 (a) Encourage the production and use of alternative jet fuel in
6 the state; and

7 (b) Provide clarity and a date certain for the availability of
8 existing production tax incentives. Given the long lead times
9 required for feasibility, permitting, and construction that precede
10 fuel production and commercial use, providing a date certain to the
11 availability of existing alternative jet fuel production tax credits
12 will lower barriers for, and reduce the risk to, early capital
13 investment decisions, thereby enabling and accelerating the
14 production and use of alternative jet fuel in the state.

15 (3) The legislature further intends that the carbon intensity and
16 renewable attributes of the energy purchased for alternative jet fuel
17 production processes is assigned those attributes reported in the
18 tariff, rate schedule, power purchase agreement, or utility-specific
19 contract or that utility's fuel mix disclosure report under which the
20 energy was purchased, and attributed for all processes using that
21 energy in the alternative jet fuel production process.

22 **Sec. 2.** RCW 82.04.287 and 2023 c 232 s 9 are each amended to
23 read as follows:

24 (1) Upon every person engaging within the state in the business
25 of manufacturing alternative jet fuel; as to such persons, the amount
26 of the tax with respect to such business is, in the case of
27 manufacturers, equal to the value of the product manufactured, or in
28 the case of processors for hire, equal to the gross income of the
29 business, multiplied by the rate of 0.275 percent.

30 (2) Upon every person engaging in making sales, at retail or
31 wholesale, of manufactured alternative jet fuel; as to such persons,
32 the amount of the tax with respect to such business is equal to the
33 gross proceeds of sales of the alternative jet fuel, multiplied by
34 the rate of 0.275 percent.

35 (3) For the purposes of this section(~~(,—"alternative")):~~

36 (a) "Alternative jet fuel" means a fuel that can be blended and
37 used with conventional petroleum jet fuels without the need to modify
38 aircraft engines and existing fuel distribution infrastructure and
39 that has lower greenhouse gas emissions based on a full life-cycle

1 analysis when compared to conventional petroleum jet fuel for which
2 it is capable as serving as a substitute, as certified by the
3 department of ecology (~~using~~):

4 (i) Using the methods for determining the carbon intensity of
5 fuels under chapter 70A.535 RCW, for a producer that elects to
6 participate in the clean fuels program pursuant to RCW
7 70A.535.030(5); or

8 (ii) For persons not electing to participate in the clean fuels
9 program pursuant to RCW 70A.535.030(5), using the following methods
10 for determining the carbon intensity:

11 (A) For the electricity used in the fuel production process, the
12 carbon intensity is determined for the electricity supplied in the
13 rate schedule, tariff, power purchase agreement, or utility-specific
14 contract according to the fuel mix or generation type reported in the
15 rate schedule, tariff, power purchase agreement, or utility-specific
16 carbon intensity pursuant to the utility contract or fuel mix
17 disclosure statement;

18 (B) The carbon intensity for solar, wind, hydropower, nonemitting
19 generation, renewable hydrogen and ocean power must be considered
20 zero;

21 (C) The specific carbon intensity is applicable to the
22 electricity used for all production processes of the alternative jet
23 fuel manufacturing facility involved in manufacturing or producing
24 alternative jet fuel.

25 (b) "Alternative jet fuel" includes jet fuels derived from
26 coprocessed feedstocks at a conventional petroleum refinery as
27 certified by the department of ecology using the methods for
28 determining the carbon intensity of fuels under chapter 70A.535 RCW.

29 (4) A person reporting under the tax rate provided in this
30 section must file a complete annual tax performance report with the
31 department under RCW 82.32.534.

32 (5) (a) The tax rate under subsections (1) and (2) of this section
33 takes effect (~~on the first day of the first calendar quarter~~
34 ~~following the month in which the department receives notice from the~~
35 ~~department of ecology that there are one or more facilities operating~~
36 ~~in this state with a cumulative production capacity of at least~~
37 ~~20,000,000 gallons of alternative jet fuel each year, as required in~~
38 ~~RCW 70A.535.150)) July 1, 2031.~~

1 (b) The tax rate (~~((expires nine calendar years after the close of~~
2 ~~the calendar year in which the tax rate under subsections (1) and (2)~~
3 ~~of this section takes effect))~~) applies through June 30, 2046.

4 (6) This section expires July 1, 2048.

5 **Sec. 3.** RCW 82.04.436 and 2023 c 232 s 10 are each amended to
6 read as follows:

7 (1)(a) Subject to the limits and provisions of this section, a
8 credit is allowed against the tax otherwise due under this chapter
9 for persons engaged in the manufacturing of alternative jet fuel.

10 (b) Except as provided in (c) of this subsection, the credit
11 under this section is equal to \$1 for each gallon of alternative jet
12 fuel that has at least 50 percent less lifecycle carbon dioxide
13 equivalent emissions than conventional petroleum jet fuel and is sold
14 during the prior calendar year by:

15 (i) A business that produces alternative jet fuel and is located
16 in a qualifying county; or

17 (ii) A business's designated alternative jet fuel blender that is
18 located in this state.

19 (c) The credit amount under (b) of this subsection must increase
20 by 2 cents for each additional one percent reduction in lifecycle
21 carbon dioxide equivalent emissions beyond 50 percent, not to exceed
22 \$2 for each gallon of alternative jet fuel.

23 (d) A person may not receive credit under both (b)(i) and (ii) of
24 this subsection.

25 (e) The credit under this section is calculated only on the
26 portion of jet fuel that is considered alternative jet fuel and does
27 not include conventional petroleum jet fuel when such fuels are
28 blended or otherwise used in a jet fuel mixture.

29 (f) A credit under this section may not be claimed until (~~the~~
30 ~~department of ecology verifies that there are one or more facilities~~
31 ~~operating in this state with cumulative production capacity of at~~
32 ~~least 20,000,000 gallons of alternative jet fuel each year and has~~
33 ~~provided such notice to the department)) July 1, 2031.~~

34 (g) Contract pricing for sales of alternative jet fuel between a
35 person claiming the credit under this section and the final consumer
36 must reflect the per gallon credit under (b) and (c) of this
37 subsection.

38 (h) A credit under this section may not be claimed until the
39 department of ecology, in consultation with the department of

1 archaeology and historic preservation, verifies that the person
2 applying for the credit is not engaged in the manufacturing of
3 alternative jet fuel on the footprint of a structure listed with the
4 department of archaeology and historic preservation as a historic
5 cemetery or tribal burial grounds as per chapter 27.44 or 68.60 RCW.
6 If the department of ecology has not made a determination within 60
7 days of the person requesting verification under this subsection, the
8 application is deemed to be verified.

9 (2) A person may not receive credit under this section for
10 amounts claimed as credits under RCW 82.04.4361 or chapter 82.16 RCW.

11 (3) To claim a credit under this section a person must
12 electronically file with the department all returns, forms, and any
13 other information required by the department, in an electronic format
14 as provided or approved by the department.

15 (4) To claim a credit under this section, the person applying
16 must:

17 (a) Complete an application for the credit which must include:

18 (i) The name, business address, and tax identification number of
19 the applicant;

20 (ii) Documentation of the total amount of alternative jet fuel
21 manufactured and sold in the prior calendar year;

22 (iii) Documentation sufficient for the department to verify that
23 the alternative jet fuel for which the credit is being claimed meets
24 the definition in RCW 82.04.287(3) and the carbon intensity reduction
25 benchmarks under subsection (1)(b) and (c) of this section, as
26 certified by the department of ecology under RCW 82.04.287(3)(a)(ii)
27 or chapter 70A.535 RCW;

28 (iv) Documentation sufficient to verify compliance with
29 subsection (1)(g) of this section; and

30 (v) Any other information deemed necessary by the department to
31 support administration or reporting of the program.

32 (b) Obtain a carbon intensity score from the department of
33 ecology prior to submitting an application to the department.

34 (5) The department must notify applicants of credit approval or
35 denial within 60 days of receipt of a final application and
36 documentation.

37 (6) If a person fails to supply the information as required in
38 subsection (4) of this section, the department must deny the
39 application.

1 (7) (a) The credit under this section may only be claimed against
2 taxes due under RCW 82.04.287, less any taxable amount for which a
3 credit is allowed under RCW 82.04.440.

4 (b) A credit earned during one calendar year may be carried over
5 and claimed against taxes incurred for the next subsequent calendar
6 year but may not be carried over for any calendar year thereafter.

7 (c) No refunds may be granted for credits under this section.

8 (8) For the purposes of this section:

9 (a) "Alternative jet fuel" has the same meaning as in RCW
10 70A.535.010.

11 (b) "Carbon dioxide equivalent" has the same meaning as in RCW
12 70A.45.010.

13 (c) "Qualifying county" means a county that has a population less
14 than 650,000 at the time an application for a credit under this
15 section is received by the department.

16 (9) (a) Credits may be earned beginning on (~~the first day of the~~
17 ~~first calendar quarter following the month in which notice under~~
18 ~~subsection (1) (f) of this section was received by the department~~)
19 July 1, 2031.

20 (b) Credits may not be earned (~~beginning nine calendar years~~
21 ~~after the close of the calendar year in which the credit may be~~
22 ~~earned, as provided in (a) of this subsection~~) after June 30, 2046.

23 (10) A person claiming the credit provided in this section must
24 file a complete annual tax performance report with the department
25 under RCW 82.32.534.

26 (11) This section expires July 1, 2048.

27 **Sec. 4.** RCW 82.04.4361 and 2023 c 232 s 11 are each amended to
28 read as follows:

29 (1) (a) Subject to the limits and provisions of this section, a
30 credit is allowed against the tax otherwise due under this chapter
31 for persons engaged in the use of alternative jet fuel.

32 (b) Except as provided in (c) of this subsection, the credit
33 under this section is equal to \$1 for each gallon of alternative jet
34 fuel that has at least 50 percent less lifecycle carbon dioxide
35 equivalent emissions than conventional petroleum jet fuel and is
36 purchased during the prior calendar year by a business for use as
37 alternative jet fuel for flights departing in this state.

38 (c) The credit amount under (b) of this subsection must increase
39 by 2 cents for each additional one percent reduction in lifecycle

1 carbon dioxide equivalent emissions beyond 50 percent, not to exceed
2 \$2 for each gallon of alternative jet fuel.

3 (d) The credit under this section is calculated only on the
4 portion of jet fuel that is considered alternative jet fuel and does
5 not include conventional petroleum jet fuel when such fuels are
6 blended or otherwise used in a jet fuel mixture.

7 (e) A credit under this section may not be claimed until (~~the~~
8 ~~department of ecology verifies that there are one or more facilities~~
9 ~~operating in this state with cumulative production capacity of at~~
10 ~~least 20,000,000 gallons of alternative jet fuel each year and has~~
11 ~~provided such notice to the department~~) July 1, 2031.

12 (2) A person may not receive credit under this section for
13 amounts claimed as credits under RCW 82.04.436 or chapter 82.16 RCW.

14 (3) To claim a credit under this section a person must
15 electronically file with the department all returns, forms, and any
16 other information required by the department, in an electronic format
17 as provided or approved by the department.

18 (4) To claim a credit under this section, the person applying
19 must:

20 (a) Complete an application for the credit which must include:

21 (i) The name, business address, and tax identification number of
22 the applicant;

23 (ii) Documentation of the amount of alternative jet fuel
24 purchased by the business in the prior calendar year;

25 (iii) Documentation sufficient for the department to verify that
26 the alternative jet fuel for which the credit is being claimed meets
27 the definition in RCW 82.04.287(3) and the carbon intensity reduction
28 benchmarks under subsection (1)(b) and (c) of this section, as
29 certified by the department of ecology under RCW 82.04.287(3)(a)(ii)
30 or chapter 70A.535 RCW; and

31 (iv) Any other information deemed necessary by the department to
32 support administration or reporting of the program.

33 (b) Obtain a carbon intensity score from the department of
34 ecology prior to submitting an application to the department.

35 (5) The department must notify applicants of credit approval or
36 denial within 60 days of receipt of a final application and
37 documentation.

38 (6) If a person fails to supply the information as required in
39 subsection (4) of this section, the department must deny the
40 application.

1 (7) (a) The credit under this section may be used against any tax
2 due under this chapter.

3 (b) A credit earned during one calendar year may be carried over
4 and claimed against taxes incurred for the next subsequent calendar
5 year but may not be carried over for any calendar year thereafter.

6 (c) No refunds may be granted for credits under this section.

7 (8) For the purposes of this section:

8 (a) "Alternative jet fuel" has the same meaning as in RCW
9 70A.535.010.

10 (b) "Carbon dioxide equivalent" has the same meaning as in RCW
11 70A.45.010.

12 (9) (a) Credits may be earned beginning on (~~the first day of the~~
13 ~~first calendar quarter following the month in which notice under~~
14 ~~subsection (1) (c) of this section was received by the department~~)
15 July 1, 2031.

16 (b) Credits may not be earned (~~beginning nine calendar years~~
17 ~~after the close of the calendar year in which the credit may be~~
18 ~~earned, as provided in (a) of this subsection~~) after June 30, 2046.

19 (10) A person claiming the credit provided in this section must
20 file a complete annual tax performance report with the department
21 under RCW 82.32.534.

22 (11) This section expires July 1, 2048.

23 **Sec. 5.** RCW 82.16.187 and 2023 c 232 s 12 are each amended to
24 read as follows:

25 (1) (a) Subject to the limits and provisions of this section, a
26 credit is allowed against the tax otherwise due under this chapter
27 for persons engaged in the use of alternative jet fuel.

28 (b) Except as provided in (c) of this subsection, the credit
29 under this section is equal to \$1 for each gallon of alternative jet
30 fuel that has at least 50 percent less lifecycle carbon dioxide
31 equivalent emissions than conventional petroleum jet fuel and is
32 purchased during the prior calendar year by a business for use as
33 alternative jet fuel for flights departing in this state.

34 (c) The credit amount under (b) of this subsection must increase
35 by 2 cents for each additional one percent reduction in lifecycle
36 carbon dioxide equivalent emissions beyond 50 percent, not to exceed
37 \$2 for each gallon of alternative jet fuel.

38 (d) The credit under this section is calculated only on the
39 portion of jet fuel that is considered alternative jet fuel and does

1 not include conventional petroleum jet fuel when such fuels are
2 blended or otherwise used in a jet fuel mixture.

3 (e) A credit under this section may not be claimed until ((the
4 ~~department of ecology verifies that there are one or more facilities~~
5 ~~operating in this state with cumulative production capacity of at~~
6 ~~least 20,000,000 gallons of alternative jet fuel each year and has~~
7 ~~provided such notice to the department)) July 1, 2031.~~

8 (2) A person may not receive credit under this section for
9 amounts claimed as credits under chapter 82.04 RCW.

10 (3) To claim a credit under this section a person must
11 electronically file with the department all returns, forms, and any
12 other information required by the department, in an electronic format
13 as provided or approved by the department.

14 (4) To claim a credit under this section, the person applying
15 must:

16 (a) Complete an application for the credit which must include:

17 (i) The name, business address, and tax identification number of
18 the applicant;

19 (ii) Documentation of the amount of alternative jet fuel
20 purchased by the business in the prior calendar year;

21 (iii) Documentation sufficient for the department to verify that
22 the alternative jet fuel for which the credit is being claimed meets
23 the definition in RCW 82.04.287(3) and the carbon intensity reduction
24 benchmarks under subsection (1)(b) and (c) of this section, as
25 certified by the department of ecology under RCW 82.04.287(3)(a)(ii)
26 or chapter 70A.535 RCW; and

27 (iv) Any other information deemed necessary by the department to
28 support administration or reporting of the program.

29 (b) Obtain a carbon intensity score from the department of
30 ecology prior to submitting an application to the department.

31 (5) The department must notify applicants of credit approval or
32 denial within 60 days of receipt of a final application and
33 documentation.

34 (6) If a person fails to supply the information as required in
35 subsection (4) of this section, the department must deny the
36 application.

37 (7)(a) The credit under this section may be used against any tax
38 due under this chapter.

1 (b) A credit earned during one calendar year may be carried over
2 and claimed against taxes incurred for the next subsequent calendar
3 year but may not be carried over for any calendar year thereafter.

4 (c) No refunds may be granted for credits under this section.

5 (8) The definitions in RCW 82.04.4361 apply to this section.

6 (9) (a) Credits may be earned beginning on (~~the first day of the~~
7 ~~first calendar quarter following the month in which notice under~~
8 ~~subsection (1)(e) of this section was received by the department~~)
9 July 1, 2031.

10 (b) Credits may not be earned (~~beginning nine calendar years~~
11 ~~after the close of the calendar year in which the credit may be~~
12 ~~earned, as provided in (a) of this subsection~~) after June 30, 2046.

13 (10) A person claiming the credit provided in this section must
14 file a complete annual tax performance report with the department
15 under RCW 82.32.534.

16 (11) This section expires July 1, 2048.

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