S-3671.1

SENATE BILL 5932

State of Washington 69th Legislature 2026 Regular Session

By Senators Warnick, Dozier, and Shewmake

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AN ACT Relating to providing certainty for the development of low-to-zero carbon alternative jet fuel production in Washington state; amending RCW 70A.535.150, 82.04.287, 82.04.436, 82.04.4361, and 82.16.187; and creating a new section.

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

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

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

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

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

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

(2) Therefore, the legislature intends to:

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

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

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

Sec. 2. RCW 70A.535.150 and 2023 c 232 s 3 are each amended to read as follows:

(1) By no later than December 31, 2023, the department must allow one or more carbon intensity pathways for alternative jet fuel.

(2) The department must allow biomethane to be claimed as the feedstock for renewable diesel and alternative jet fuel consistent with that allowable for compressed natural gas, liquefied natural gas, liquefied compressed natural gas, or hydrogen production. The department must include in the report required by RCW 70A.535.090(1) information that includes the amount, generation date, and geographic origin of renewable thermal certificates representing the biomethane environmental attributes claimed by each reporting entity for the fuels described in this subsection.

(3) The department must notify the department of revenue within 30 days when one or more facilities capable of producing a cumulative production capacity of at least 20,000,000 gallons of alternative jet fuel each year are operating in this state.

(4)(a) Beginning for purposes of program year 2026 through 2037, and, after 2037 for all electricity compliant with chapter 19.405 RCW, the department must apply a carbon intensity for electricity that is supplied to an alternative jet fuel manufacturing facility as follows:

(i) The carbon intensity is as provided for the electricity supplied in the rate schedule, tariff, power purchase agreement, or utility-specific contract according to the fuel mix reported in the rate schedule, tariff, power purchase agreement, or utility-specific carbon intensity pursuant to the utility contract or fuel mix disclosure statement;

(ii) The carbon intensity is calculated pursuant to WAC 173-424-630(6), as it existed on January 1, 2026; and

(iii) The specific carbon intensity is applicable to all production processes of the alternative jet fuel manufacturing facility including, but not limited to, the electrolysis of water and carbon dioxide, involved in manufacturing or producing alternative jet fuel and any coproducts including, but not limited to, renewable naphtha, in that facility.

(b) The specific carbon intensity for electricity specified in (a) of this subsection must apply regardless of:

(i) When a renewable electricity product, or specific carbon intensity electricity product, power purchase agreement, rate schedule, or tariff was negotiated or contracted for;

(ii) The date on which the renewable electricity generating facility began operating; and

(iii) The utility's main utility-specific carbon intensity of electricity.

(c) This subsection (4) supersedes the requirements of WAC 173-424-610(9), as it existed on January 1, 2026, as they are applied to an alternative jet fuel manufacturing facility. The department must update WAC 173-424-610 to conform with the requirements of this section at the department's next otherwise planned update of chapter 173-424 WAC.

Sec. 3. RCW 82.04.287 and 2023 c 232 s 9 are each amended to read as follows:

(1) Upon every person engaging within the state in the business of manufacturing alternative jet fuel; as to such persons, the amount of the tax with respect to such business is, in the case of

manufacturers, equal to the value of the product manufactured, or in the case of processors for hire, equal to the gross income of the business, multiplied by the rate of 0.275 percent.

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

(3) For the purposes of this section, "alternative jet fuel" means a fuel that can be blended and used with conventional petroleum jet fuels without the need to modify aircraft engines and existing fuel distribution infrastructure and that has lower greenhouse gas emissions based on a full life-cycle analysis when compared to conventional petroleum jet fuel for which it is capable as serving as a substitute, as certified by the department of ecology using the methods for determining the carbon intensity of fuels under chapter 70A.535 RCW. "Alternative jet fuel" includes jet fuels derived from coprocessed feedstocks at a conventional petroleum refinery as certified by the department of ecology using the methods for determining the carbon intensity of fuels under chapter 70A.535 RCW.

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

(5)(a) The tax rate under subsections (1) and (2) of this section takes effect on the earlier of:

(i) The first day of the first calendar quarter following the month in which the department receives notice from the department of ecology that there are one or more facilities operating in this state with a cumulative production capacity of at least 20,000,000 gallons of alternative jet fuel each year, as required in RCW 70A.535.150; or

(ii) July 1, 2031.

(b) The tax rate expires nine calendar years after the close of the calendar year in which the tax rate under subsections (1) and (2) of this section takes effect.

Sec. 4. RCW 82.04.436 and 2023 c 232 s 10 are each amended to read as follows:

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

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

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

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

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

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

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

(f) A credit under this section may not be claimed until the earlier of:

(i) The date on which the department of ecology verifies that there are one or more facilities operating in this state with cumulative production capacity of at least 20,000,000 gallons of alternative jet fuel each year and has provided such notice to the department; or

(ii) July 1, 2031.

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

(h) A credit under this section may not be claimed until the department of ecology, in consultation with the department of archaeology and historic preservation, verifies that the person applying for the credit is not engaged in the manufacturing of alternative jet fuel on the footprint of a structure listed with the department of archaeology and historic preservation as a historic cemetery or tribal burial grounds as per chapter 27.44 or 68.60 RCW. If the department of ecology has not made a determination within 60

days of the person requesting verification under this subsection, the application is deemed to be verified.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(8) For the purposes of this section:

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

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

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

(9)(a) Credits may be earned beginning on the earlier of:

(i) The first day of the first calendar quarter following the month in which notice under subsection (1)(f) of this section was received by the department; or

(ii) July 1, 2031.

(b) Credits may not be earned beginning nine calendar years after the close of the calendar year in which the credit may be earned, as provided in (a) of this subsection.

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

Sec. 5. RCW 82.04.4361 and 2023 c 232 s 11 are each amended to read as follows:

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

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

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

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

(e) A credit under this section may not be claimed until the earlier of:

(i) The date on which the department of ecology verifies that there are one or more facilities operating in this state with cumulative production capacity of at least 20,000,000 gallons of alternative jet fuel each year and has provided such notice to the department; or

(ii) July 1, 2031.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(8) For the purposes of this section:

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

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

(9)(a) Credits may be earned beginning on the earlier of:

(i) The first day of the first calendar quarter following the month in which notice under subsection (1)(e) of this section was received by the department; or

(ii) July 1, 2031.

(b) Credits may not be earned beginning nine calendar years after the close of the calendar year in which the credit may be earned, as provided in (a) of this subsection.

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

Sec. 6. RCW 82.16.187 and 2023 c 232 s 12 are each amended to read as follows:

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

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

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

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

(e) A credit under this section may not be claimed until the earlier of:

(i) The date on which the department of ecology verifies that there are one or more facilities operating in this state with

cumulative production capacity of at least 20,000,000 gallons of alternative jet fuel each year and has provided such notice to the department; or

(ii) July 1, 2031.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(9)(a) Credits may be earned beginning on the earlier of:

(i) The first day of the first calendar quarter following the month in which notice under subsection (1)(e) of this section was received by the department; or

(ii) July 1, 2031.

(b) Credits may not be earned beginning nine calendar years after the close of the calendar year in which the credit may be earned, as provided in (a) of this subsection.

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

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