

Initiative Measure No. 417

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SECRETARY OF STATE

AN ACT Relating to fossil fuels; amending RCW 82.04.4451; adding a new section to chapter 82.04 RCW; adding a new chapter to Title 84 RCW; adding a new chapter to Title 70 RCW; creating a new section; repealing RCW 84.52.065; and providing an effective date.

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

NEW SECTION. **Sec. 1.** This act is the beginning of the end of our dangerous addiction to fossil fuels. Our addiction to fossil fuels is: Bad for the economy of Washington state because we spend over ten billion dollars each year on fossil fuels; bad for national security because much of that money directly or indirectly supports dictatorships that seek nuclear weapons and the end of democracy; and bad for the environment because fossil fuels are the main source of global warming pollution that threatens our planet and our way of life.

The first thing that the people of Washington state need in order to end our dangerous addiction to fossil fuels is tax relief so that we have the means to invest in energy efficiency and alternatives to fossil fuels. This act repeals the state property tax, provides a

sales tax rebate to low-income households, and reduces business taxes, including a doubling of the business and occupation tax credit for small businesses.

The second thing that the people of Washington state need in order to end our dangerous addiction to fossil fuels is innovation so that we have alternatives that are worth paying for. This act provides universities and colleges in Washington state with funding to research new energy technologies, new methods to improve energy efficiency, and outreach programs to ensure that the people of Washington state are informed about energy efficiency options.

The third and final thing that the people of Washington state need in order to end our dangerous addiction to fossil fuels is incentives to pursue alternatives. This act levies a fee on global warming pollution from fossil fuels. Five percent of the resulting revenue is dedicated to funding energy innovations at state universities and colleges. The remaining ninety-five percent is dedicated to tax relief: The repeal of the state property tax, the sales tax rebate for low-income households, and reductions in business taxes, including a doubling of the business and occupation tax credit for small businesses.

Tax relief. Innovation. Incentives. All directed towards ending our dangerous addiction to fossil fuels.

NEW SECTION. **Sec. 2.** RCW 84.52.065 (State levy for support of common schools) and 1991 sp.s. c 31 s 16, 1979 ex.s. c 218 s 1, 1973 1st ex.s. c 195 s 106, 1971 ex.s. c 299 s 25, 1969 ex.s. c 216 s 2, & 1967 ex.s. c 133 s 1 are each repealed.

NEW SECTION. **Sec. 3.** (1) Property owners must receive notices informing them of: (a) The amount of the property owner's tax savings as a result of the repeal of the state property tax under section 2 of this act; and (b) steps the property owner can take to reduce the use of fossil fuels in their homes, vehicles, and businesses, including energy efficiency options and alternative energy technologies.

(2) The notices required under this section must be sent out whenever local property taxes are billed and can be sent by paper or electronically.

NEW SECTION. **Sec. 4.** (1) The low-income clean energy account is created in the state treasury. All revenues in the account must be used to provide an annual sales tax credit to eligible low-income persons. ~~The amount of the credit must be the same for each eligible person.~~

(2) For the purposes of this section, "eligible low-income person" means an individual who meets the following requirements:

(a) The adjusted gross income reported on the individual's federal income tax return for the tax year is at or below one hundred twenty-five percent of the federal poverty guidelines, as established by the United States department of health and human services; and

(b) The individual properly filed a federal income tax return as a Washington state resident and has been a Washington state resident for more than one hundred eighty days of the previous year.

(3) For the purposes of subsection (2) of this section, an "individual" includes both an individual and that individual's spouse, if they file a federal joint income tax return.

(4) The amount of the credit under this section must be proportional to household size, as determined by the number of exemptions on the person's federal income tax return.

(5) Eligible low-income persons must receive annual notices informing them of: (a) The household's tax savings; and (b) steps the household can take to reduce the use of fossil fuels in their homes, vehicles, and businesses, including energy efficiency options and alternative energy technologies. These notices can be sent by paper or electronically, and must be sent electronically whenever possible.

NEW SECTION. **Sec. 5.** (1) The clean energy research and development account is created in the state treasury.

(2) All revenues in the account must be used to pay for programs at universities and colleges in Washington state aimed at ending our

dangerous addiction to fossil fuels. The choice of programs to fund must be made through a transparent competitive grants process staffed by experts in relevant fields. Eligible programs include but are not limited to programs to: Research new clean energy technologies; improve existing clean energy technologies; improve energy efficiency; conduct outreach programs to ensure that the people of Washington state are informed about energy efficiency options; research carbon sequestration as a way to reduce the impact of fossil fuels on global climate; and develop "green jobs" and other parts of the clean energy economy.

NEW SECTION. **Sec. 6.** The definitions in section 10 of this act apply throughout this chapter unless the context clearly requires otherwise.

Sec. 7. RCW 82.04.4451 and 1997 c 238 s 2 are each amended to read as follows:

(1) In computing the tax imposed under this chapter, a credit is allowed against the amount of tax otherwise due under this chapter, as provided in this section. The maximum credit for a taxpayer for a reporting period is (~~(thirty-five)~~) seventy dollars multiplied by the number of months in the reporting period, as determined under RCW 82.32.045. The credit amount in this subsection (1) must be adjusted biennially to account for inflation.

(2) When the amount of tax otherwise due under this chapter is equal to or less than the maximum credit, a credit is allowed equal to the amount of tax otherwise due under this chapter.

(3) When the amount of tax otherwise due under this chapter exceeds the maximum credit, a reduced credit is allowed equal to twice the maximum credit, minus the tax otherwise due under this chapter, but not less than zero.

(4) The department may prepare a tax credit table consisting of tax ranges using increments of no more than five dollars and a corresponding tax credit to be applied to those tax ranges. The table shall be prepared in such a manner that no taxpayer will owe a greater

amount of tax by using the table than would be owed by performing the calculation under subsections (1) through (3) of this section. A table prepared by the department under this subsection shall be used by all taxpayers in taking the credit provided in this section.

NEW SECTION. **Sec. 8.** A new section is added to chapter 82.04 RCW to read as follows:

(1) There is created in the state treasury the business clean energy account.

(2) All revenues in the account must be used to reduce the rate of the business and occupation tax in the following year. The reduction must be an across-the-board reduction so that all businesses have an equal percentage reduction.

(3) Businesses must receive annual notices informing them of their tax savings and of steps they can take to reduce the use of fossil fuels in their homes, vehicles, and businesses, including energy efficiency options and alternative energy technologies. These notices can be sent by paper or electronically, and must be sent electronically whenever possible.

NEW SECTION. **Sec. 9.** (1) A fee is charged and collected on global warming pollution from fossil fuels in Washington. This fee is known as the global warming pollution fee. The global warming pollution fee applies to the following:

(a) Fossil fuels extracted in Washington;


(b) Fossil fuels imported for use in Washington;

(c) Fossil fuels imported for processing in Washington; and

(d) Fossil fuels used to generate electricity imported into Washington by using the fuel mix data required by chapter 19.29A RCW. Any fee collected under this section must be collected in a manner that provides that the same fee applies to in-state and out-of-state generation.

(2) The global warming pollution fee does not apply to fossil fuels that can be shown and verified to not contribute to global warming including, but not limited to, fossil fuels that are

sequestered in accordance with a method approved by the United States environmental protection agency.

 (3) The fee amount charged under this section equals fifty dollars per^{SHORT} ton of carbon dioxide equivalent.

(4) The department must adopt rules as necessary to implement the global warming pollution fee as provided in this section. The department must develop and make available worksheets and guidance documents necessary to calculate the global warming pollution produced by various fossil fuels. The department must use methods maintained by the United States environmental protection agency to calculate the amount of global warming pollution produced by each type of fuel.

(5) Any person extracting, processing, refining, or importing processed or refined fossil fuels is liable for payment of any global warming pollution fees charged under this section. Payment of any fees charged under this section is due monthly.

(6) The department must deposit all fees collected under this section as follows:

(a) Beginning July 1, 2011, the department must calculate the amount of property tax revenue that would have been generated had the property tax in RCW 84.52.065 not been repealed by this act and must set aside an equivalent amount for the support of common schools of the state. It is the intent of this act that revenue for the support of common schools not be reduced.

(b) The following must be deposited in the low-income clean energy account created in section 4 of this act: (i) Fifteen percent of the proceeds of the global warming pollution fee charged under this section; or (ii) the remaining amount of the proceeds, if less than fifteen percent remains after administrative expenses for operating the system and after any necessary reductions under (a) of this subsection (6).


(c) The following must be deposited in the clean energy research and development account created under section 5 of this act: (i) Five percent of the proceeds of the global warming pollution fee charged under this section; or (ii) the remaining amount of the proceeds if less than five percent remains after administrative expenses for

operating the system and after any required reductions under (a) and (b) of this subsection (6).

(d) The following must be deposited in the business clean energy account created under section 8 of this act: The remaining amount of the global warming pollution fee proceeds after: (i) Administrative expenses for operating the system are deducted; (ii) any reductions required in (a), (b), and (c) of this subsection (6) are applied; and (iii) subtracting an amount equal to the increase in the tax credit in RCW 82.04.4451.

(7) For the purposes of this section, "department" means the department of revenue.

NEW SECTION. **Sec. 10.** The definitions in this section apply throughout this chapter unless the context clearly requires otherwise.

(1) "Carbon dioxide equivalents" means a ~~metric~~ measure used to compare the emissions from various greenhouse gases based upon their global warming potential. 

(2) "Coal" means bituminous coal, subbituminous coal, lignite, and coke.

(3) "Fossil fuel" means natural gas, petroleum, coal, or any form of solid, liquid, or gaseous fuel derived from such material.

(4) "Person" means any individual, division of government, business, or corporation.

NEW SECTION. **Sec. 11.** Sections 3 through 6 of this act constitute a new chapter in Title 84 RCW.

NEW SECTION. **Sec. 12.** Sections 9 and 10 of this act constitute a new chapter in Title 70 RCW.

NEW SECTION. **Sec. 13.** This act takes effect July 1, 2011.