

Initiative Measure No. 587 filed April 4, 2013

BILL REQUEST - CODE REVISER'S OFFICE

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ATTY/TYPIST: JA:jcm

BRIEF DESCRIPTION:

Initiative Measure No. 587

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AN ACT Relating to promoting sustainable economic development; amending RCW 82.08.020, 82.04.4451, and 82.08.0206; adding a new chapter to Title 82 RCW; repealing RCW 82.04.240; and providing an effective date.

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

NEW SECTION. **Sec. 1.** The intent of this act is to reduce carbon emissions and promote sustainable economic development in Washington by imposing a global warming pollution tax and by funding offsetting tax reductions and energy efficiency investments. This act reduces the sales tax by one percentage point, eliminates the business and occupation tax for manufacturing, triples the business and occupation tax credit for small businesses, and funds the working families' tax exemption. These tax reductions and exemptions are financed by the global warming pollution tax created in this act. After financing these tax reductions and exemptions, any remaining revenues from the global warming pollution tax are dedicated to additional tax

reductions and to energy efficiency programs, with energy efficiency programs receiving no more than five percent of the total revenue generated by the global warming pollution tax.

NEW SECTION. **Sec. 2.** The sustainable economy working families' tax exemption account is created in the state treasury. All revenues in the account must be used to provide the working families' tax exemption as specified in RCW 82.08.0206.

NEW SECTION. **Sec. 3.** The sustainable economy energy efficiency account is created in the state treasury. All revenues in the account must be used to fund energy efficiency programs in Washington.

NEW SECTION. **Sec. 4.** The sustainable economy tax reduction account is created in the state treasury. All revenues in the account must be used to provide tax reductions, rebates, and credits.

NEW SECTION. **Sec. 5.** (1) A tax is imposed and collected on global warming pollution from fossil fuels in Washington. The global warming pollution tax applies to the following:

(a) Fossil fuels used in Washington, including fossil fuels used to generate electricity or heat and fossil fuels loaded onto airplanes, boats, and other vehicles with the intent of using that fuel on that vehicle; and

(b) Fossil fuels used to generate electricity imported into Washington, to be determined by using the fuel mix data required under RCW 19.29A.060.

(2) Any tax collected under this section must be collected in a manner that provides that the same tax schedule applies to in-state and out-of-state generation.

(3) The global warming pollution tax will be reduced for uses of fossil fuels that can be shown and verified to not contribute to increasing atmospheric greenhouse gas concentrations including, but not limited to, fossil fuels that are sequestered in accordance with a method approved by the United States environmental protection agency.

The tax reduction in such cases must be proportional to the fraction of emissions that are sequestered or otherwise shown and verified to not contribute to increasing atmospheric greenhouse gas concentrations.

(4) As of July 1, 2014, the tax imposed under this section is thirty dollars per metric ton of carbon dioxide equivalent, and must be increased by five percent each year beginning July 1, 2015.

(5) The department must adopt rules as necessary to implement the global warming pollution tax 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 commonly used methods such as those maintained by the United States environmental protection agency to calculate the amount of global warming pollution produced by each type of fuel.

(6) Any person extracting or importing fossil fuels or importing electricity is liable for payment of the global warming pollution taxes charged under this section. Payment of all taxes charged under this section is due monthly.

(7) The department must deposit all taxes collected under this section, net of administrative costs, as follows, in order of priority:

(a) Into the sustainable economy working families' tax exemption account created in section 2 of this act: Funds sufficient to provide a twenty percent working families' tax exemption. These funds must also cover administrative costs necessary to implement this section;

(b) Into the general fund: Funds equal to the total amount of revenue reductions created by sections 7, 8, and 9 of this act, as estimated by the department;

(c) Into the sustainable economy energy efficiency account created in section 3 of this act: One-half of all remaining funds, but not more than five percent of the total amount raised by the tax in this chapter;

(d) Into the sustainable economy tax reduction account created in section 4 of this act: All remaining funds.

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

(1) "Carbon dioxide equivalents" means a 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, pet coke, coal, or any form of solid, liquid, or gaseous fuel derived from such material, including still gas.

(4) "Global warming pollution tax" means the tax created in section 5 of this act.

(5) "Manufacturing" means any business activity classified in the manufacturing sector of the North American industry classification system.

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

Sec. 7. RCW 82.08.020 and 2011 c 171 s 120 are each amended to read as follows:

(1) There is levied and collected a tax equal to (~~six~~) five and five-tenths percent of the selling price on each retail sale in this state of:

(a) Tangible personal property, unless the sale is specifically excluded from the RCW 82.04.050 definition of retail sale;

(b) Digital goods, digital codes, and digital automated services, if the sale is included within the RCW 82.04.050 definition of retail sale;

(c) Services, other than digital automated services, included within the RCW 82.04.050 definition of retail sale;

(d) Extended warranties to consumers; and

(e) Anything else, the sale of which is included within the RCW 82.04.050 definition of retail sale.

(2) There is levied and collected an additional tax on each retail car rental, regardless of whether the vehicle is licensed in this

state, equal to five and nine-tenths percent of the selling price. The revenue collected under this subsection must be deposited in the multimodal transportation account created in RCW 47.66.070.

(3) Beginning July 1, 2003, there is levied and collected an additional tax of three-tenths of one percent of the selling price on each retail sale of a motor vehicle in this state, other than retail car rentals taxed under subsection (2) of this section. The revenue collected under this subsection must be deposited in the multimodal transportation account created in RCW 47.66.070.

(4) For purposes of subsection (3) of this section, "motor vehicle" has the meaning provided in RCW 46.04.320, but does not include farm tractors or farm vehicles as defined in RCW 46.04.180 and 46.04.181, off-road vehicles as defined in RCW 46.04.365, nonhighway vehicles as defined in RCW 46.09.310, and snowmobiles as defined in RCW 46.04.546.

(5) Beginning on December 8, 2005, 0.16 percent of the taxes collected under subsection (1) of this section must be dedicated to funding comprehensive performance audits required under RCW 43.09.470. The revenue identified in this subsection must be deposited in the performance audits of government account created in RCW 43.09.475.

(6) The taxes imposed under this chapter apply to successive retail sales of the same property.

(7) The rates provided in this section apply to taxes imposed under chapter 82.12 RCW as provided in RCW 82.12.020.

NEW SECTION. **Sec. 8.** RCW 82.04.240 (Tax on manufacturers) and 2010 c 114 s 104, 2004 c 24 s 4, 2003 c 149 s 3, 1998 c 312 s 3, 1993 sp.s. c 25 s 102, 1981 c 172 s 1, 1979 ex.s. c 196 s 1, 1971 ex.s. c 281 s 3, 1969 ex.s. c 262 s 34, 1967 ex.s. c 149 s 8, 1965 ex.s. c 173 s 5, & 1961 c 15 s 82.04.240 are each repealed.

Sec. 9. RCW 82.04.4451 and 2010 1st sp.s. c 23 s 1102 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. Except for taxpayers that report at least fifty percent of their taxable amount under RCW 82.04.255, 82.04.290(2)(a), and 82.04.285, the maximum credit for a taxpayer for a reporting period is (~~(thirty-five)~~) one hundred five dollars multiplied by the number of months in the reporting period, as determined under RCW 82.32.045. For a taxpayer that reports at least fifty percent of its taxable amount under RCW 82.04.255, 82.04.290(2)(a), and 82.04.285, the maximum credit for a reporting period is (~~(seventy)~~) two hundred ten dollars multiplied by the number of months in the reporting period, as determined under RCW 82.32.045.

(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 must be used by all taxpayers in taking the credit provided in this section.

Sec. 10. RCW 82.08.0206 and 2008 c 325 s 2 are each amended to read as follows:

(1) A working families' tax exemption, in the form of a remittance tax due under this chapter and chapter 82.12 RCW, is provided to eligible low-income persons for sales taxes paid under this chapter after January 1, 2008.

(2) For purposes of the exemption in this section, an eligible low-income person is:

(a) An individual, or an individual and that individual's spouse if they file a federal joint income tax return;

(b) (~~(An individual who)~~) An individual who is eligible for, and is granted, the credit provided in Title 26 U.S.C. Sec. 32; and

(c) (~~(An individual who)~~) An individual who properly files a federal income tax return as a Washington resident, and has been a resident of the state of Washington more than one hundred eighty days of the year for which the exemption is claimed.

(3) For remittances made in 2009 and 2010, the working families' tax exemption for the prior year is a retail sales tax exemption equal to the greater of five percent of the credit granted as a result of (~~Title~~) 26 U.S.C. Sec. 32 of the federal internal revenue code in the most recent year for which data is available or twenty-five dollars. For 2011 and thereafter, the working families' tax exemption for the prior year is equal to the greater of (~~ten~~) twenty percent of the credit granted as a result of (~~Title~~) 26 U.S.C. Sec. 32 of the federal internal revenue code in the most recent year for which data is available or (~~fifty~~) one hundred dollars.

(4) For any fiscal period, the working families' tax exemption authorized under this section (~~shall~~) must be approved by the legislature in the state omnibus appropriations act before persons may claim the exemption during the fiscal period.

(5) The working families' tax exemption (~~shall~~) must be administered as provided in this subsection.

(a) An eligible low-income person claiming an exemption under this section must pay the tax imposed under chapters 82.08, 82.12, and 82.14 RCW in the year for which the exemption is claimed. The eligible low-income person may then apply to the department for the remittance as calculated under subsection (3) of this section.

(b) Application (~~shall~~) must be made to the department in a form and manner determined by the department, but the department must provide alternative filing methods for applicants who do not have access to electronic filing.

(c) Application for the exemption remittance under this section must be made in the year following the year for which the federal

return was filed, but in no case may any remittance be provided for any period before January 1, 2008. The department may use the best available data to process the exemption remittance. The department shall begin accepting applications October 1, 2009.

(d) The department (~~shall~~) must review the application and determine eligibility for the working families' tax exemption based on information provided by the applicant and through audit and other administrative records, including, when it deems it necessary, verification through internal revenue service data.

(e) The department (~~shall~~) must remit the exempted amounts to eligible low-income persons who submitted applications. Remittances may be made by electronic funds transfer or other means.

(f) The department may, in conjunction with other agencies or organizations, design and implement a public information campaign to inform potentially eligible persons of the existence of and requirements for this exemption.

(g) The department may contact persons who appear to be eligible low-income persons as a result of information received from the internal revenue service under such conditions and requirements as the internal revenue service may by law require.

(6) The provisions of chapter 82.32 RCW apply to the exemption in this section.

(7) The department may adopt rules necessary to implement this section.

(8) The department (~~shall~~) must limit its costs for the exemption program to the initial start-up costs to implement the program. The state omnibus appropriations act (~~shall~~) must specify funding to be used for the ongoing administrative costs of the program. These ongoing administrative costs include, but are not limited to, costs for: The processing of internet and mail applications, verification of application claims, compliance and collections, additional full-time employees at the department's call center, processing warrants, updating printed materials and web information, media advertising, and support and maintenance of computer systems.

NEW SECTION. **Sec. 11.** If any provision of this act or its application to any person or circumstance is held invalid, the remainder of the act or the application of the provision to other persons or circumstances is not affected.

NEW SECTION. **Sec. 12.** Sections 1 through 6 of this act constitute a new chapter in Title 82 RCW.

NEW SECTION. **Sec. 13.** This act takes effect July 1, 2014.