

CERTIFICATION OF ENROLLMENT
ENGROSSED SUBSTITUTE SENATE BILL 6440

Chapter 216, Laws of 2014

63rd Legislature
2014 Regular Session

TAXES--LIQUIFIED NATURAL GAS AND COMPRESSED NATURAL GAS

EFFECTIVE DATE: 07/01/15

Passed by the Senate March 12, 2014
YEAS 43 NAYS 6

BRAD OWEN

President of the Senate

Passed by the House March 12, 2014
YEAS 87 NAYS 11

FRANK CHOPP

Speaker of the House of Representatives

Approved April 3, 2014, 11:35 a.m.

JAY INSLEE

Governor of the State of Washington

CERTIFICATE

I, Hunter G. Goodman, Secretary of the Senate of the State of Washington, do hereby certify that the attached is **ENGROSSED SUBSTITUTE SENATE BILL 6440** as passed by the Senate and the House of Representatives on the dates hereon set forth.

HUNTER G. GOODMAN

Secretary

FILED

April 4, 2014

**Secretary of State
State of Washington**

1 compressed and liquefied natural gas will lead to positive job
2 creation, economic development, environmental benefits, and lower fuel
3 costs. The legislature further finds that it is sound tax policy to
4 provide uniform tax treatment of natural gas used as a transportation
5 fuel, regardless of whether the taxpayer providing the natural gas is
6 a gas distribution business or not, so as to prevent any particular
7 entity from receiving a competitive advantage solely through a
8 structural inefficiency in the tax code.

9 (2)(a) This subsection is the tax performance statement for this
10 act. The performance statement is only intended to be used for
11 subsequent evaluation of the tax changes made in this act. It is not
12 intended to create a private right of action by any party or be used to
13 determine eligibility for preferential tax treatment.

14 (b) The legislature categorizes the tax changes in this act as
15 changes intended to accomplish the general purposes indicated in RCW
16 82.32.808(2) (c) and (d).

17 (c) It is the legislature's specific public policy objectives to
18 promote job creation and positive economic development; lower carbon
19 dioxide, sulfur dioxide, nitrogen dioxide, and particulate emissions;
20 and secure optimal liquefied natural gas pricing for the state of
21 Washington and other public entities.

22 (d) To measure the effectiveness of the exemption provided in this
23 act in achieving the specific public policy objective described in (c)
24 of this subsection, the joint legislative audit and review committee
25 must evaluate the following:

26 (i) The number of employment positions and wages at a natural gas
27 liquefaction facility located in Washington and operated by a gas
28 distribution business where some or all of the liquefied natural gas is
29 sold for use as a transportation fuel. If the average number of
30 employment positions at the liquefaction facility once it is
31 operationally complete equals or exceeds eighteen and average annual
32 wages for employment positions at the facility exceed thirty-five
33 thousand dollars, it is presumed that the public policy objective of
34 job creation has been achieved.

35 (ii) The estimated total cost of construction of a liquefaction
36 plant by a gas distribution company, including costs for machinery and
37 equipment. If the total cost equals or exceeds two hundred fifty

1 million dollars, it is presumed that the public policy objective of
2 positive economic development has been achieved.

3 (iii) The estimated fuel savings by the Washington state ferry
4 system and other public entities through the use of liquefied natural
5 gas purchased from a gas distribution business.

6 (iv) The estimated reduction in carbon dioxide, sulfur dioxide,
7 nitrogen dioxide, and particulate emissions, resulting from the use of
8 liquefied natural gas and compressed natural gas as a transportation
9 fuel where the natural gas is sold by a gas distribution business. The
10 emissions of liquefied and compressed natural gas must be specifically
11 compared with an equivalent amount of diesel fuel. If the estimated
12 annual reduction in emissions exceeds the following benchmarks, it is
13 presumed that the public policy objective of reducing emissions has
14 been achieved:

15 (A) Three hundred million pounds of carbon dioxide;

16 (B) Two hundred thousand pounds of particulates;

17 (C) Four hundred thousand pounds of sulfur dioxide; and

18 (D) Four hundred fifty thousand pounds of nitrogen dioxide.

19 (e)(i) The following data sources are intended to provide the
20 informational basis for the evaluation under (d) of this subsection:

21 (A) Employment data provided by the state employment security
22 department;

23 (B) Ferry fuel purchasing data provided by the state department of
24 transportation;

25 (C) Diesel and other energy pricing data found on the United States
26 energy information administration's web site; and

27 (D) Information provided by a gas distribution business on the
28 annual report required under RCW 82.32.534.

29 (ii) In addition to the data source described under (e)(i) of this
30 subsection, the joint legislative audit and review committee may use
31 any other data it deems necessary in performing the evaluation under
32 (d) of this subsection.

33 (3) A gas distribution business claiming the exemption under RCW
34 82.08.02565 or 82.12.02565 must file the annual report under RCW
35 82.32.534 or any successor document. In addition to the information
36 contained in the report, the report must also include the amount of
37 liquefied natural gas and compressed natural gas sold by the gas

1 distribution business as a transportation fuel. A gas distribution
2 business is not required to file the annual survey under RCW 82.32.585,
3 as would otherwise be required under RCW 82.32.808(5).

4 (4) The joint legislative audit and review committee must perform
5 the review required in this section in a manner consistent with its tax
6 preference review process under chapter 43.136 RCW. The committee must
7 perform the review in calendar year 2025.

8 **PART II**

9 **Fuel Taxes and Sales Taxes**

10 **Sec. 201.** RCW 82.38.030 and 2013 c 225 s 103 are each amended to
11 read as follows:

12 (1) There is levied and imposed upon fuel licensees a tax at the
13 rate of twenty-three cents per each gallon of fuel(~~(, or each one~~
14 ~~hundred cubic feet of compressed natural gas)~~), measured at standard
15 pressure and temperature.

16 (2) Beginning July 1, 2003, an additional and cumulative tax rate
17 of five cents per each gallon of fuel(~~(, or each one hundred cubic feet~~
18 ~~of compressed natural gas)~~), measured at standard pressure and
19 temperature is imposed on fuel licensees. This subsection (2) expires
20 when the bonds issued for transportation 2003 projects are retired.

21 (3) Beginning July 1, 2005, an additional and cumulative tax rate
22 of three cents per each gallon of fuel(~~(, or each one hundred cubic~~
23 ~~feet of compressed natural gas)~~), measured at standard pressure and
24 temperature is imposed on fuel licensees.

25 (4) Beginning July 1, 2006, an additional and cumulative tax rate
26 of three cents per each gallon of fuel(~~(, or each one hundred cubic~~
27 ~~feet of compressed natural gas)~~), measured at standard pressure and
28 temperature is imposed on fuel licensees.

29 (5) Beginning July 1, 2007, an additional and cumulative tax rate
30 of two cents per each gallon of fuel(~~(, or each one hundred cubic feet~~
31 ~~of compressed natural gas)~~), measured at standard pressure and
32 temperature is imposed on fuel licensees.

33 (6) Beginning July 1, 2008, an additional and cumulative tax rate
34 of one and one-half cents per each gallon of fuel(~~(, or each one~~
35 ~~hundred cubic feet of compressed natural gas)~~), measured at standard
36 pressure and temperature is imposed on fuel licensees.

1 (7) Taxes are imposed when:
2 (a) Fuel is removed in this state from a terminal if the fuel is
3 removed at the rack unless the removal is by a licensed supplier or
4 distributor for direct delivery to a destination outside of the state,
5 or the removal is by a fuel supplier for direct delivery to an
6 international fuel tax agreement licensee under RCW 82.38.320;
7 (b) Fuel is removed in this state from a refinery if either of the
8 following applies:
9 (i) The removal is by bulk transfer and the refiner or the owner of
10 the fuel immediately before the removal is not a licensed supplier; or
11 (ii) The removal is at the refinery rack unless the removal is to
12 a licensed supplier or distributor for direct delivery to a destination
13 outside of the state, or the removal is to a licensed supplier for
14 direct delivery to an international fuel tax agreement licensee under
15 RCW 82.38.320;
16 (c) Fuel enters into this state for sale, consumption, use, or
17 storage, unless the fuel enters this state for direct delivery to an
18 international fuel tax agreement licensee under RCW 82.38.320, if
19 either of the following applies:
20 (i) The entry is by bulk transfer and the importer is not a
21 licensed supplier; or
22 (ii) The entry is not by bulk transfer;
23 (d) Fuel enters this state by means outside the bulk transfer-
24 terminal system and is delivered directly to a licensed terminal unless
25 the owner is a licensed distributor or supplier;
26 (e) Fuel is sold or removed in this state to an unlicensed entity
27 unless there was a prior taxable removal, entry, or sale of the fuel;
28 (f) Blended fuel is removed or sold in this state by the blender of
29 the fuel. The number of gallons of blended fuel subject to tax is the
30 difference between the total number of gallons of blended fuel removed
31 or sold and the number of gallons of previously taxed fuel used to
32 produce the blended fuel;
33 (g) Dyed special fuel is used on a highway, as authorized by the
34 internal revenue code, unless the use is exempt from the fuel tax;
35 (h) Dyed special fuel is held for sale, sold, used, or is intended
36 to be used in violation of this chapter;
37 (i) Special fuel purchased by an international fuel tax agreement
38 licensee under RCW 82.38.320 is used on a highway; and

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

4 **Sec. 202.** RCW 82.38.075 and 2013 c 225 s 110 are each amended to
5 read as follows:

6 (1) To encourage the use of nonpolluting fuels, an annual license
7 fee in lieu of the tax imposed by RCW 82.38.030 is imposed upon the use
8 of liquefied natural gas, compressed natural gas, or propane used in
9 any motor vehicle. The annual license fee must be based upon the
10 following schedule and formula:

11	VEHICLE TONNAGE(GVW)	FEE
12	0 - 6,000	\$ 45
13	6,001 - 10,000	\$ 45
14	10,001 - 18,000	\$ 80
15	18,001 - 28,000	\$110
16	28,001 - 36,000	\$150
17	36,001 and above	\$250

18 (2) To determine the annual license fee for a registration year,
19 the appropriate dollar amount in the schedule is multiplied by the fuel
20 tax rate per gallon effective on July 1st of the preceding calendar
21 year and the product is divided by 12 cents.

22 (3) The department, in addition to the resulting fee, must charge
23 an additional fee of five dollars as a handling charge for each license
24 issued.

25 (4) The vehicle tonnage fee must be prorated so the annual license
26 will correspond with the staggered vehicle licensing system.

27 (5) A decal or other identifying device issued upon payment of the
28 annual fee must be displayed as prescribed by the department as
29 authority to purchase this fuel.

30 (6) Persons selling or dispensing natural gas or propane may not
31 sell or dispense this fuel for their own use or the use of others into
32 tanks of vehicles powered by this fuel which do not display a valid
33 decal or other identifying device.

1 (7) Commercial motor vehicles registered in a foreign jurisdiction
2 under the provisions of the international registration plan are subject
3 to the annual fee.

4 (8) Motor vehicles registered in a foreign jurisdiction, except
5 those registered under the international registration plan under
6 chapter 46.87 RCW, are exempt from this section.

7 (9) Vehicles registered in jurisdictions outside the state of
8 Washington are exempt from this section.

9 ~~((8))~~ (10) Any person selling or dispensing liquefied natural
10 gas, compressed natural gas, or propane into the tank of a motor
11 vehicle powered by this fuel, except as prescribed in this chapter, is
12 subject to the penalty provisions of this chapter.

13 **Sec. 203.** RCW 82.80.010 and 2013 c 225 s 641 are each amended to
14 read as follows:

15 (1) ~~((For purposes of this section:))~~ The definitions in this
16 subsection apply throughout this section unless the context clearly
17 requires otherwise.

18 (a) "Distributor" means every person who imports, refines,
19 manufactures, produces, or compounds motor vehicle fuel and special
20 fuel as defined in RCW 82.38.020~~((, respectively,))~~ and sells or
21 distributes the fuel into a county~~((,))~~.

22 (b) "Person" has the same meaning as in RCW 82.04.030.

23 (2) Subject to the conditions of this section, any county may levy,
24 by approval of its legislative body and a majority of the registered
25 voters of the county voting on the proposition at a general or special
26 election, additional excise taxes equal to ten percent of the statewide
27 ~~((motor vehicle fuel tax rate under RCW 82.38.030 on each gallon of~~
28 ~~motor vehicle fuel as defined in RCW 82.38.020 and on each gallon of~~
29 ~~special fuel)) fuel tax rates under RCW 82.38.030 on motor vehicle fuel
30 and special fuel as defined in RCW 82.38.020 sold within the boundaries
31 of the county. Vehicles paying an annual license fee under RCW
32 82.38.075 are exempt from the county fuel excise tax. An election held
33 under this section must be held not more than twelve months before the
34 date on which the proposed tax is to be levied. The ballot setting
35 forth the proposition must state the tax rate that is proposed. The
36 county's authority to levy additional excise taxes under this section
37 includes the incorporated and unincorporated areas of the county. The~~

1 additional excise taxes are subject to the same exceptions and rights
2 of refund as applicable to other motor vehicle fuel and special fuel
3 excise taxes levied under chapter 82.38 RCW. The proposed tax may not
4 be levied less than one month from the date the election results are
5 certified by the county election officer. The commencement date for
6 the levy of any tax under this section must be the first day of
7 January, April, July, or October.

8 (3) The local option motor vehicle fuel tax on (~~each gallon of~~)
9 motor vehicle fuel and on (~~each gallon of~~) special fuel is imposed
10 upon the distributor of the fuel.

11 (4) A taxable event for the purposes of this section occurs upon
12 the first distribution of the fuel within the boundaries of a county to
13 a retail outlet, bulk fuel user, or ultimate user of the fuel.

14 (5) All administrative provisions in chapters 82.01, 82.03, and
15 82.32 RCW, insofar as they are applicable, apply to local option fuel
16 taxes imposed under this section.

17 (6) Before the effective date of the imposition of the fuel taxes
18 under this section, a county must contract with the department of
19 revenue for the administration and collection of the taxes. The
20 contract must provide that a percentage amount, not to exceed one
21 percent of the taxes imposed under this section, will be deposited into
22 the local tax administration account created in the custody of the
23 state treasurer. The department of revenue may spend money from this
24 account, upon appropriation, for the administration of the local taxes
25 imposed under this section.

26 (7) The state treasurer must distribute monthly to the levying
27 county and cities contained therein the proceeds of the additional
28 excise taxes collected under this section, after the deductions for
29 payments and expenditures as provided in RCW 46.68.090(1) (a) and (b)
30 and under the conditions and limitations provided in RCW 82.80.080.

31 (8) The proceeds of the additional excise taxes levied under this
32 section must be used strictly for transportation purposes in accordance
33 with RCW 82.80.070.

34 (9) A county may not levy the tax under this section if they are
35 levying the tax in RCW 82.80.110 or if they are a member of a regional
36 transportation investment district levying the tax in RCW 82.80.120.

1 **Sec. 204.** RCW 82.80.110 and 2013 c 225 s 642 are each amended to
2 read as follows:

3 (1) ~~((For purposes of this section:))~~ The definitions in this
4 subsection apply throughout this section unless the context clearly
5 requires otherwise.

6 (a) "Distributor" means every person who imports, refines,
7 manufactures, produces, or compounds motor vehicle fuel and special
8 fuel as defined in RCW 82.38.020~~((, respectively,))~~ and sells or
9 distributes the fuel into a county~~((,))~~.

10 (b) "Person" has the same meaning as in RCW 82.04.030.

11 (2) For purposes of dedication to a regional transportation
12 investment district plan under chapter 36.120 RCW, subject to the
13 conditions of this section, a county may levy additional excise taxes
14 equal to ten percent of the statewide ~~((motor vehicle fuel tax rate~~
15 ~~under RCW 82.38.030 on each gallon of motor vehicle fuel as defined in~~
16 ~~RCW 82.38.020 and on each gallon of special fuel))~~ fuel tax rates under
17 RCW 82.38.030 on motor vehicle fuel and special fuel as defined in RCW
18 ~~((82.32.020 [82.38.020]))~~ 82.38.020 sold within the boundaries of the
19 county. The additional excise tax is subject to the approval of the
20 county's legislative body and a majority of the registered voters of
21 the county voting on the proposition at a general or special election.
22 An election held under this section must be held not more than twelve
23 months before the date on which the proposed tax is to be levied. The
24 ballot setting forth the proposition must state that the revenues from
25 the tax will be used for a regional transportation investment district
26 plan. The county's authority to levy additional excise taxes under
27 this section includes the incorporated and unincorporated areas of the
28 county. Vehicles paying an annual license fee under RCW 82.38.075 are
29 exempt from the county fuel excise tax. The additional excise taxes
30 are subject to the same exceptions and rights of refund as applicable
31 to other motor vehicle fuel and special fuel excise taxes levied under
32 chapter 82.38 RCW. The proposed tax may not be levied less than one
33 month from the date the election results are certified by the county
34 election officer. The commencement date for the levy of any tax under
35 this section will be the first day of January, April, July, or October.

36 (3) The local option motor vehicle fuel tax on ~~((each gallon of))~~
37 motor vehicle fuel and on ~~((each gallon of))~~ special fuel is imposed
38 upon the distributor of the fuel.

1 (4) A taxable event for the purposes of this section occurs upon
2 the first distribution of the fuel within the boundaries of a county to
3 a retail outlet, bulk fuel user, or ultimate user of the fuel.

4 (5) All administrative provisions in chapters 82.01, 82.03, and
5 82.32 RCW, insofar as they are applicable, apply to local option fuel
6 taxes imposed under this section.

7 (6) Before the effective date of the imposition of the fuel taxes
8 under this section, a county must contract with the department of
9 revenue for the administration and collection of the taxes. The
10 contract must provide that a percentage amount, not to exceed one
11 percent of the taxes imposed under this section, will be deposited into
12 the local tax administration account created in the custody of the
13 state treasurer. The department of revenue may spend money from this
14 account, upon appropriation, for the administration of the local taxes
15 imposed under this section.

16 (7) The state treasurer must distribute monthly to the county
17 levying the tax as part of a regional transportation investment plan,
18 after the deductions for payments and expenditures as provided in RCW
19 46.68.090(1) (a) and (b).

20 (8) The proceeds of the additional taxes levied by a county in this
21 section, to be used as a part of a regional transportation investment
22 plan, must be used in accordance with chapter 36.120 RCW, but only for
23 those areas that are considered "highway purposes" as that term is
24 construed in Article II, section 40 of the state Constitution.

25 (9) A county may not levy the tax under this section if they are a
26 member of a regional transportation investment district that is levying
27 the tax in RCW 82.80.120 or the county is levying the tax in RCW
28 82.80.010.

29 **Sec. 205.** RCW 82.80.120 and 2013 c 225 s 643 are each amended to
30 read as follows:

31 (1) (~~For purposes of this section:~~) The definitions in this
32 subsection apply throughout this section unless the context clearly
33 requires otherwise.

34 (a) "Distributor" means every person who imports, refines,
35 manufactures, produces, or compounds motor vehicle fuel and special
36 fuel as defined in RCW 82.38.020(~~(, respectively,)~~) and sells or
37 distributes the fuel into a county(~~(,)~~).

1 (b) "Person" has the same meaning as in RCW 82.04.030;

2 (c) "District" means a regional transportation investment district
3 under chapter 36.120 RCW.

4 (2) A regional transportation investment district under chapter
5 36.120 RCW, subject to the conditions of this section, may levy
6 additional excise taxes equal to ten percent of the statewide (~~motor~~
7 ~~vehicle fuel tax rate under RCW 82.38.030 on each gallon of motor~~
8 ~~vehicle fuel as defined in RCW 82.38.020 and on each gallon of special~~
9 ~~fuel~~) fuel tax rates under RCW 82.38.030 on motor vehicle fuel and
10 special fuel as defined in RCW 82.38.020 sold within the boundaries of
11 the district. The additional excise tax is subject to the approval of
12 a majority of the voters within the district boundaries. Vehicles
13 paying an annual license fee under RCW 82.38.075 are exempt from the
14 district's fuel excise tax. The additional excise taxes are subject to
15 the same exceptions and rights of refund as applicable to other motor
16 vehicle fuel and special fuel excise taxes levied under chapter 82.38
17 RCW. The proposed tax may not be levied less than one month from the
18 date the election results are certified. The commencement date for the
19 levy of any tax under this section will be the first day of January,
20 April, July, or October.

21 (3) The local option motor vehicle fuel tax on (~~each gallon of~~)
22 motor vehicle fuel and on (~~each gallon of~~) special fuel is imposed
23 upon the distributor of the fuel.

24 (4) A taxable event for the purposes of this section occurs upon
25 the first distribution of the fuel within the boundaries of the
26 district to a retail outlet, bulk fuel user, or ultimate user of the
27 fuel.

28 (5) All administrative provisions in chapters 82.01, 82.03, and
29 82.32 RCW, insofar as they are applicable, apply to local option fuel
30 taxes imposed under this section.

31 (6) Before the effective date of the imposition of the fuel taxes
32 under this section, a district must contract with the department of
33 revenue for the administration and collection of the taxes. The
34 contract must provide that a percentage amount, not to exceed one
35 percent of the taxes imposed under this section, will be deposited into
36 the local tax administration account created in the custody of the
37 state treasurer. The department of revenue may spend money from this

1 account, upon appropriation, for the administration of the local taxes
2 imposed under this section.

3 (7) The state treasurer must distribute monthly to the district
4 levying the tax as part of the regional transportation investment
5 district plan, after the deductions for payments and expenditures as
6 provided in RCW 46.68.090(1) (a) and (b).

7 (8) The proceeds of the additional taxes levied by a district in
8 this section, to be used as a part of a regional transportation
9 investment district plan, must be used in accordance with chapter
10 36.120 RCW, but only for those areas that are considered "highway
11 purposes" as that term is construed in Article II, section 40 of the
12 state Constitution.

13 (9) A district may only levy the tax under this section if the
14 district is comprised of boundaries identical to the boundaries of a
15 county or counties. A district may not levy the tax in this section if
16 a member county is levying the tax in RCW 82.80.010 or 82.80.110.

17 **Sec. 206.** RCW 82.47.010 and 1998 c 176 s 85 are each amended to
18 read as follows:

19 ~~((The definitions set forth in this section shall apply throughout
20 this chapter unless the context clearly requires otherwise.~~

- 21 ~~(1) "Motor vehicle fuel" has the meaning given in RCW 82.36.010.~~
- 22 ~~(2) "Special fuel" has the meaning given in RCW 82.38.020.~~
- 23 ~~(3) "Motor vehicle" has the meaning given in RCW 82.36.010.)~~

24 For purposes of this chapter, unless the context clearly requires
25 otherwise, "fuel," "motor vehicle fuel," "special fuel," and "motor
26 vehicle" have the meaning given in RCW 82.38.020.

27 **Sec. 207.** RCW 46.16A.060 and 2011 c 114 s 6 are each amended to
28 read as follows:

29 (1) The department, county auditor or other agent, or subagent
30 appointed by the director may not issue or renew a motor vehicle
31 registration or change the registered owner of a registered vehicle for
32 any motor vehicle required to be inspected under chapter 70.120 RCW,
33 unless the application for issuance or renewal is: (a) Accompanied by
34 a valid certificate of compliance or a valid certificate of acceptance
35 issued as required under chapter 70.120 RCW; or (b) exempt, as
36 described in subsection (2) of this section. The certificates must

1 have a date of validation that is within twelve months of the assigned
2 registration renewal date. Certificates for fleet or owner tested
3 diesel vehicles may have a date of validation that is within twelve
4 months of the assigned registration renewal date.

5 (2) The following motor vehicles are exempt from emission test
6 requirements:

7 (a) Motor vehicles that are less than five years old or more than
8 twenty-five years old;

9 (b) Motor vehicles that are a 2009 model year or newer;

10 (c) Motor vehicles powered exclusively by electricity, propane,
11 compressed natural gas, liquefied natural gas, or liquid petroleum gas;

12 (d) Motorcycles as defined in RCW 46.04.330 and motor-driven cycles
13 as defined in RCW 46.04.332;

14 (e) Farm vehicles as defined in RCW 46.04.181;

15 (f) Street rod vehicles as defined in RCW 46.04.572 and custom
16 vehicles as defined in RCW 46.04.161;

17 (g) Used vehicles that are offered for sale by a motor vehicle
18 dealer licensed under chapter 46.70 RCW;

19 (h) Classes of motor vehicles exempted by the director of the
20 department of ecology; and

21 (i) Hybrid motor vehicles that obtain a rating by the environmental
22 protection agency of at least fifty miles per gallon of gas during city
23 driving. For purposes of this section, a hybrid motor vehicle is one
24 that uses propulsion units powered by both electricity and gas.

25 (3) The department of ecology (~~shall~~) must provide information to
26 motor vehicle owners:

27 (a) Regarding the boundaries of emission contributing areas and
28 restrictions established under this section that apply to vehicles
29 registered in such areas; and

30 (b) On the relationship between motor vehicles and air pollution
31 and steps motor vehicle owners should take to reduce motor vehicle
32 related air pollution.

33 (4) The department of licensing (~~shall~~) must:

34 (a) Notify all registered motor vehicle owners affected by the
35 emission testing program that they must have an emission test to renew
36 their registration;

37 (b) Adopt rules implementing and enforcing this section, except for
38 subsection (2)(e) of this section, as specified in chapter 34.05 RCW.

1 (5) A motor vehicle may not be registered, leased, rented, or sold
2 for use in the state, starting with the model year as provided in RCW
3 70.120A.010, unless the vehicle:

4 (a) Has seven thousand five hundred miles or more; or

5 (b)(i) Is consistent with the vehicle emission standards and carbon
6 dioxide equivalent emission standards adopted by the department of
7 ecology; and

8 (ii) Has a California certification label for all emission
9 standards, and carbon dioxide equivalent emission standards necessary
10 to meet fleet average requirements.

11 (6) The department of licensing, in consultation with the
12 department of ecology, may adopt rules necessary to implement this
13 section and may provide for reasonable exemptions to these
14 requirements. The department of ecology may exempt public safety
15 vehicles from meeting the standards where the department finds that
16 vehicles necessary to meet the needs of public safety agencies are not
17 otherwise reasonably available.

18 **Sec. 208.** RCW 46.37.467 and 1995 c 369 s 23 are each amended to
19 read as follows:

20 (1) Every automobile, truck, motorcycle, motor home, or off-road
21 vehicle that is fueled by an alternative fuel source (~~shall~~) must
22 bear a reflective placard issued by the national fire protection
23 association indicating that the vehicle is so fueled. Violation of
24 this subsection is a traffic infraction.

25 (2) As used in this section "alternative fuel source" includes
26 propane, compressed natural gas, liquefied natural gas, liquid
27 petroleum gas, or any chemically similar gas but does not include
28 gasoline or diesel fuel.

29 (3) If a placard for a specific alternative fuel source has not
30 been issued by the national fire protection association, a placard
31 issued by the chief of the Washington state patrol, through the
32 director of fire protection, (~~shall be~~) is required. The chief of
33 the Washington state patrol, through the director of fire protection,
34 (~~shall~~) must develop rules for the design, size, and placement of the
35 placard which (~~shall~~) remains effective until a specific placard is
36 issued by the national fire protection association.

1 natural gas or liquefied natural gas, where the compressed natural gas
2 or liquefied natural gas is to be sold or used as transportation fuel.

3 (2) The exemption is available only when the buyer provides the
4 seller with an exemption certificate in a form and manner prescribed by
5 the department. The seller must retain a copy of the certificate for
6 the seller's files.

7 (3) For the purposes of this section, "transportation fuel" means
8 fuel for the generation of power to propel a motor vehicle as defined
9 in RCW 46.04.320, a vessel as defined in RCW 88.02.310, or a locomotive
10 or railroad car.

11 **Sec. 302.** RCW 82.04.310 and 2007 c 58 s 1 are each amended to read
12 as follows:

13 (1) This chapter (~~shall~~) does not apply to any person in respect
14 to a business activity with respect to which tax liability is
15 specifically imposed under the provisions of chapter 82.16 RCW
16 including amounts derived from activities for which a deduction is
17 allowed under RCW 82.16.050. The exemption in this subsection does not
18 apply to sales of natural gas, including compressed natural gas and
19 liquefied natural gas, by a gas distribution business, if such sales
20 are exempt from the tax imposed under chapter 82.16 RCW as provided in
21 section 301 of this act.

22 (2) This chapter does not apply to amounts received by any person
23 for the sale of electrical energy for resale within or outside the
24 state.

25 (3)(a) This chapter does not apply to amounts received by any
26 person for the sale of natural or manufactured gas in a calendar year
27 if that person sells within the United States a total amount of natural
28 or manufactured gas in that calendar year that is no more than twenty
29 percent of the amount of natural or manufactured gas that it consumes
30 within the United States in the same calendar year.

31 (b) For purposes of determining whether a person has sold within
32 the United States a total amount of natural or manufactured gas in a
33 calendar year that is no more than twenty percent of the amount of
34 natural or manufactured gas that it consumes within the United States
35 in the same calendar year, the following transfers of gas are not
36 considered to be the sale of natural or manufactured gas:

- 1 (i) The transfer of any natural or manufactured gas as a result of
- 2 the acquisition of another business, through merger or otherwise; or
- 3 (ii) The transfer of any natural or manufactured gas accomplished
- 4 solely to comply with federal regulatory requirements imposed on the
- 5 pipeline transportation of such gas when it is shipped by a third-party
- 6 manager of a person's pipeline transportation.

7 **Sec. 303.** RCW 82.04.120 and 2011 c 23 s 3 are each amended to read
8 as follows:

9 (1) "To manufacture" embraces all activities of a commercial or
10 industrial nature wherein labor or skill is applied, by hand or
11 machinery, to materials so that as a result thereof a new, different or
12 useful substance or article of tangible personal property is produced
13 for sale or commercial or industrial use, and includes:

14 (a) The production or fabrication of special made or custom made
15 articles;

16 (b) The production or fabrication of dental appliances, devices,
17 restorations, substitutes, or other dental laboratory products by a
18 dental laboratory or dental technician;

19 (c) Cutting, delimiting, and measuring of felled, cut, or taken
20 trees; (~~and~~)

21 (d) Crushing and/or blending of rock, sand, stone, gravel, or ore;
22 and

23 (e) The production of compressed natural gas or liquefied natural
24 gas for use as a transportation fuel as defined in section 301 of this
25 act.

26 (2) "To manufacture" does not include:

27 (a) Conditioning of seed for use in planting; cubing hay or
28 alfalfa;

29 (b) Activities which consist of cutting, grading, or ice glazing
30 seafood which has been cooked, frozen, or canned outside this state;

31 (c) The growing, harvesting, or producing of agricultural products;

32 (d) Packing of agricultural products, including sorting, washing,
33 rinsing, grading, waxing, treating with fungicide, packaging, chilling,
34 or placing in controlled atmospheric storage;

35 (e) The production of digital goods;

36 (f) The production of computer software if the computer software is
37 delivered from the seller to the purchaser by means other than tangible

1 storage media, including the delivery by use of a tangible storage
2 media where the tangible storage media is not physically transferred to
3 the purchaser; and

4 (g) Except as provided in subsection (1)(e) of this section, any
5 activity that is integral to any public service business as defined in
6 RCW 82.16.010 and with respect to which the gross income associated
7 with such activity: (i) Is subject to tax under chapter 82.16 RCW; or
8 (ii) would be subject to tax under chapter 82.16 RCW if such activity
9 were conducted in this state or if not for an exemption or deduction.

10 (3) With respect to wastewater treatment facilities:

11 (a) "To manufacture" does not include the treatment of wastewater,
12 the production of reclaimed water, and the production of class B
13 biosolids; and

14 (b) "To manufacture" does include the production of class A or
15 exceptional quality biosolids, but only with respect to the processing
16 activities that occur after the biosolids have reached class B
17 standards.

18 **Sec. 304.** RCW 82.12.022 and 2011 c 174 s 304 are each amended to
19 read as follows:

20 (1) A use tax is levied on every person in this state for the
21 privilege of using natural gas or manufactured gas, including
22 compressed natural gas and liquefied natural gas, within this state as
23 a consumer.

24 (2) The tax must be levied and collected in an amount equal to the
25 value of the article used by the taxpayer multiplied by the rate in
26 effect for the public utility tax on gas distribution businesses under
27 RCW 82.16.020. The "value of the article used" does not include any
28 amounts that are paid for the hire or use of a gas distribution
29 business as defined in RCW 82.16.010(2) in transporting the gas subject
30 to tax under this subsection if those amounts are subject to tax under
31 that chapter.

32 (3) The tax levied in this section does not apply to the use of
33 natural or manufactured gas delivered to the consumer by other means
34 than through a pipeline.

35 (4) The tax levied in this section does not apply to the use of
36 natural or manufactured gas if the person who sold the gas to the

1 consumer has paid a tax under RCW 82.16.020 with respect to the gas for
2 which exemption is sought under this subsection.

3 (5)(a) The tax levied in this section does not apply to the use of
4 natural or manufactured gas by an aluminum smelter as that term is
5 defined in RCW 82.04.217 before January 1, 2017.

6 (b) A person claiming the exemption provided in this subsection (5)
7 must file a complete annual report with the department under RCW
8 82.32.534.

9 (6) The tax imposed by this section does not apply to the use of
10 natural gas, compressed natural gas, or liquefied natural gas, if the
11 consumer uses the gas for transportation fuel as defined in section 301
12 of this act.

13 (7) There is a credit against the tax levied under this section in
14 an amount equal to any tax paid by:

15 (a) The person who sold the gas to the consumer when that tax is a
16 gross receipts tax similar to that imposed pursuant to RCW 82.16.020 by
17 another state with respect to the gas for which a credit is sought
18 under this subsection; or

19 (b) The person consuming the gas upon which a use tax similar to
20 the tax imposed by this section was paid to another state with respect
21 to the gas for which a credit is sought under this subsection.

22 ~~((7))~~ (8) The use tax imposed in this section must be paid by the
23 consumer to the department.

24 ~~((8))~~ (9) There is imposed a reporting requirement on the person
25 who delivered the gas to the consumer to make a quarterly report to the
26 department. Such report must contain the volume of gas delivered, name
27 of the consumer to whom delivered, and such other information as the
28 department may require by rule.

29 ~~((9))~~ (10) The department may adopt rules under chapter 34.05 RCW
30 for the administration and enforcement of sections 1 through 6, chapter
31 384, Laws of 1989.

32 **Sec. 305.** RCW 82.14.230 and 2010 c 127 s 5 are each amended to
33 read as follows:

34 (1) The governing body of any city, while not required by
35 legislative mandate to do so, may, by resolution or ordinance for the
36 purposes authorized by this chapter, fix and impose on every person a

1 use tax for the privilege of using natural gas or manufactured gas in
2 the city as a consumer.

3 (2) The tax is imposed in an amount equal to the value of the
4 article used by the taxpayer multiplied by the rate in effect for the
5 tax on natural gas businesses under RCW 35.21.870 in the city in which
6 the article is used. The "value of the article used," does not include
7 any amounts that are paid for the hire or use of a natural gas business
8 in transporting the gas subject to tax under this subsection if those
9 amounts are subject to tax under RCW 35.21.870.

10 (3) The tax imposed under this section does not apply to the use of
11 natural or manufactured gas if the person who sold the gas to the
12 consumer has paid a tax under RCW 35.21.870 with respect to the gas for
13 which exemption is sought under this subsection.

14 (4) There is a credit against the tax levied under this section in
15 an amount equal to any tax paid by:

16 (a) The person who sold the gas to the consumer when that tax is a
17 gross receipts tax similar to that imposed pursuant to RCW 35.21.870 by
18 another municipality or other unit of local government with respect to
19 the gas for which a credit is sought under this subsection; or

20 (b) The person consuming the gas upon which a use tax similar to
21 the tax imposed by this section was paid to another municipality or
22 other unit of local government with respect to the gas for which a
23 credit is sought under this subsection.

24 (5) The use tax imposed must be paid by the consumer. The
25 administration and collection of the tax imposed is pursuant to RCW
26 82.14.050.

27 (6) The tax authorized by this section does not apply to the use of
28 natural gas, compressed natural gas, or liquefied natural gas, if the
29 consumer uses the gas for transportation fuel as defined in section 301
30 of this act.

31 **Sec. 306.** RCW 35.21.870 and 1984 c 225 s 6 are each amended to
32 read as follows:

33 (1) No city or town may impose a tax on the privilege of conducting
34 an electrical energy, natural gas, steam energy, or telephone business
35 at a rate which exceeds six percent unless the rate is first approved
36 by a majority of the voters of the city or town voting on such a
37 proposition.

1 (2)(a) If a city or town is imposing a rate of tax under subsection
2 (1) of this section in excess of six percent on April 20, 1982, the
3 city or town (~~shall~~) must decrease the rate to a rate of six percent
4 or less by reducing the rate each year on or before November 1st by
5 ordinances to be effective on January 1st of the succeeding year, by an
6 amount equal to one-tenth the difference between the tax rate on April
7 20, 1982, and six percent.

8 (b) Nothing in this subsection prohibits a city or town from
9 reducing its rates by amounts greater than the amounts required in this
10 subsection.

11 (3) Voter approved rate increases under subsection (1) of this
12 section (~~shall~~) may not be included in the computations under this
13 subsection.

14 (4) No city or town may impose a tax on the privilege of conducting
15 a natural gas business with respect to sales that are exempt from the
16 tax imposed under chapter 82.16 RCW as provided in section 301 of this
17 act at a rate higher than its business and occupation tax rate on the
18 sale of tangible personal property or, if the city or town does not
19 impose a business and occupation tax on the sale of tangible personal
20 property, at a rate greater than .002.

21 **Sec. 307.** RCW 82.14.030 and 2008 c 86 s 101 are each amended to
22 read as follows:

23 (1) The governing body of any county or city, while not required by
24 legislative mandate to do so, may, by resolution or ordinance for the
25 purposes authorized by this chapter, impose a sales and use tax in
26 accordance with the terms of this chapter. Such tax (~~shall~~) must be
27 collected from those persons who are taxable by the state under
28 chapters 82.08 and 82.12 RCW, upon the occurrence of any taxable event
29 within the county or city as the case may be. (~~Except as provided in~~
30 ~~RCW 82.14.230,~~) This sales and use tax (~~shall~~) does not apply to
31 natural or manufactured gas, except for natural gas that is used as a
32 transportation fuel as defined in section 301 of this act and is
33 taxable by the state under chapters 82.08 and 82.12 RCW. The rate of
34 such tax imposed by a county (~~shall be~~) is five-tenths of one percent
35 of the selling price (in the case of a sales tax) or value of the
36 article used (in the case of a use tax). The rate of such tax imposed
37 by a city (~~shall~~) may not exceed five-tenths of one percent of the

1 selling price (in the case of a sales tax) or value of the article used
2 (in the case of a use tax). However, in the event a county imposes a
3 sales and use tax under this subsection, the rate of such tax imposed
4 under this subsection by any city therein (~~shall~~) may not exceed four
5 hundred and twenty-five one-thousandths of one percent.

6 (2) In addition to the tax authorized in subsection (1) of this
7 section, the governing body of any county or city may by resolution or
8 ordinance impose an additional sales and use tax in accordance with the
9 terms of this chapter. Such additional tax (~~shall~~) must be collected
10 upon the same taxable events upon which the tax imposed under
11 subsection (1) of this section is imposed. The rate of such additional
12 tax imposed by a county (~~shall-be~~) is up to five-tenths of one
13 percent of the selling price (in the case of a sales tax) or value of
14 the article used (in the case of a use tax). The rate of such
15 additional tax imposed by a city (~~shall-be~~) is up to five-tenths of
16 one percent of the selling price (in the case of a sales tax) or value
17 of the article used (in the case of a use tax). However, in the event
18 a county imposes a sales and use tax under the authority of this
19 subsection at a rate equal to or greater than the rate imposed under
20 the authority of this subsection by a city within the county, the
21 county (~~shall~~) must receive fifteen percent of the city tax. In the
22 event that the county imposes a sales and use tax under the authority
23 of this subsection at a rate which is less than the rate imposed under
24 this subsection by a city within the county, the county (~~shall~~) must
25 receive that amount of revenues from the city tax equal to fifteen
26 percent of the rate of tax imposed by the county under the authority of
27 this subsection. The authority to impose a tax under this subsection
28 is intended in part to compensate local government for any losses from
29 the phase-out of the property tax on business inventories.

30 PART IV

31 Export and Machinery and Equipment Sales and Use Tax Exemptions

32 **Sec. 401.** RCW 82.08.02565 and 2011 c 23 s 2 are each amended to
33 read as follows:

34 (1)(a) The tax levied by RCW 82.08.020 does not apply to sales to
35 a manufacturer or processor for hire of machinery and equipment used
36 directly in a manufacturing operation or research and development

1 operation, to sales to a person engaged in testing for a manufacturer
2 or processor for hire of machinery and equipment used directly in a
3 testing operation, or to sales of or charges made for labor and
4 services rendered in respect to installing, repairing, cleaning,
5 altering, or improving the machinery and equipment.

6 (b) Except as provided in (c) of this subsection, sellers making
7 tax-exempt sales under this section must obtain from the purchaser an
8 exemption certificate in a form and manner prescribed by the department
9 by rule. The seller must retain a copy of the certificate for the
10 seller's files.

11 (c)(i) The exemption under this section is in the form of a
12 remittance for a gas distribution business, as defined in RCW
13 82.16.010, claiming the exemption for machinery and equipment used for
14 the production of compressed natural gas or liquefied natural gas for
15 use as a transportation fuel.

16 (ii) A gas distribution business claiming an exemption from state
17 and local tax in the form of a remittance under this section must pay
18 the tax under RCW 82.08.020 and all applicable local sales taxes.
19 Beginning July 1, 2017, the gas distribution business may then apply to
20 the department for remittance of state and local sales and use taxes.
21 A gas distribution business may not apply for a remittance more
22 frequently than once a quarter. The gas distribution business must
23 specify the amount of exempted tax claimed and the qualifying purchases
24 for which the exemption is claimed. The gas distribution business must
25 retain, in adequate detail, records to enable the department to
26 determine whether the business is entitled to an exemption under this
27 section, including: Invoices; proof of tax paid; and documents
28 describing the machinery and equipment.

29 (iii) The department must determine eligibility under this section
30 based on the information provided by the gas distribution business,
31 which is subject to audit verification by the department. The
32 department must on a quarterly basis remit exempted amounts to
33 qualifying businesses who submitted applications during the previous
34 quarter.

35 (iv) Beginning July 1, 2028, a gas distribution business may not
36 apply for a refund under this section or RCW 82.12.02565.

37 (2) For purposes of this section and RCW 82.12.02565:

1 (a) "Machinery and equipment" means industrial fixtures, devices,
2 and support facilities, and tangible personal property that becomes an
3 ingredient or component thereof, including repair parts and replacement
4 parts. "Machinery and equipment" includes pollution control equipment
5 installed and used in a manufacturing operation, testing operation, or
6 research and development operation to prevent air pollution, water
7 pollution, or contamination that might otherwise result from the
8 manufacturing operation, testing operation, or research and development
9 operation. "Machinery and equipment" also includes digital goods.

10 (b) "Machinery and equipment" does not include:

11 (i) Hand-powered tools;

12 (ii) Property with a useful life of less than one year;

13 (iii) Buildings, other than machinery and equipment that is
14 permanently affixed to or becomes a physical part of a building; and

15 (iv) Building fixtures that are not integral to the manufacturing
16 operation, testing operation, or research and development operation
17 that are permanently affixed to and become a physical part of a
18 building, such as utility systems for heating, ventilation, air
19 conditioning, communications, plumbing, or electrical.

20 (c) Machinery and equipment is "used directly" in a manufacturing
21 operation, testing operation, or research and development operation if
22 the machinery and equipment:

23 (i) Acts upon or interacts with an item of tangible personal
24 property;

25 (ii) Conveys, transports, handles, or temporarily stores an item of
26 tangible personal property at the manufacturing site or testing site;

27 (iii) Controls, guides, measures, verifies, aligns, regulates, or
28 tests tangible personal property at the site or away from the site;

29 (iv) Provides physical support for or access to tangible personal
30 property;

31 (v) Produces power for, or lubricates machinery and equipment;

32 (vi) Produces another item of tangible personal property for use in
33 the manufacturing operation, testing operation, or research and
34 development operation;

35 (vii) Places tangible personal property in the container, package,
36 or wrapping in which the tangible personal property is normally sold or
37 transported; or

1 (viii) Is integral to research and development as defined in RCW
2 82.63.010.

3 (d) "Manufacturer" means a person that qualifies as a manufacturer
4 under RCW 82.04.110. "Manufacturer" also includes a person that prints
5 newspapers or other materials.

6 (e) "Manufacturing" means only those activities that come within
7 the definition of "to manufacture" in RCW 82.04.120 and are taxed as
8 manufacturing or processing for hire under chapter 82.04 RCW, or would
9 be taxed as such if such activity were conducted in this state or if
10 not for an exemption or deduction. "Manufacturing" also includes
11 printing newspapers or other materials. An activity is not taxed as
12 manufacturing or processing for hire under chapter 82.04 RCW if the
13 activity is within the purview of chapter 82.16 RCW.

14 (f) "Manufacturing operation" means the manufacturing of articles,
15 substances, or commodities for sale as tangible personal property. A
16 manufacturing operation begins at the point where the raw materials
17 enter the manufacturing site and ends at the point where the processed
18 material leaves the manufacturing site. With respect to the production
19 of class A or exceptional quality biosolids by a wastewater treatment
20 facility, the manufacturing operation begins at the point where class
21 B biosolids undergo additional processing to achieve class A or
22 exceptional quality standards. Notwithstanding anything to the
23 contrary in this section, the term also includes that portion of a
24 cogeneration project that is used to generate power for consumption
25 within the manufacturing site of which the cogeneration project is an
26 integral part. The term does not include the preparation of food
27 products on the premises of a person selling food products at retail.

28 (g) "Cogeneration" means the simultaneous generation of electrical
29 energy and low-grade heat from the same fuel.

30 (h) "Research and development operation" means engaging in research
31 and development as defined in RCW 82.63.010 by a manufacturer or
32 processor for hire.

33 (i) "Testing" means activities performed to establish or determine
34 the properties, qualities, and limitations of tangible personal
35 property.

36 (j) "Testing operation" means the testing of tangible personal
37 property for a manufacturer or processor for hire. A testing operation
38 begins at the point where the tangible personal property enters the

1 testing site and ends at the point where the tangible personal property
2 leaves the testing site. The term also includes the testing of
3 tangible personal property for use in that portion of a cogeneration
4 project that is used to generate power for consumption within the
5 manufacturing site of which the cogeneration project is an integral
6 part. The term does not include the testing of tangible personal
7 property for use in the production of electricity by a light and power
8 business as defined in RCW 82.16.010 or the preparation of food
9 products on the premises of a person selling food products at retail.

10 **Sec. 402.** RCW 82.12.02565 and 2003 c 5 s 5 are each amended to
11 read as follows:

12 (1) The provisions of this chapter (~~shall~~) do not apply in
13 respect to the use by a manufacturer or processor for hire of machinery
14 and equipment used directly in a manufacturing operation or research
15 and development operation, to the use by a person engaged in testing
16 for a manufacturer or processor for hire of machinery and equipment
17 used directly in a testing operation, or to the use of labor and
18 services rendered in respect to installing, repairing, cleaning,
19 altering, or improving the machinery and equipment.

20 (2) The definitions, conditions, and requirements in RCW
21 82.08.02565 apply to this section.

22 **Sec. 403.** RCW 82.14.050 and 2012 1st sp.s. c 9 s 1 are each
23 amended to read as follows:

24 (1) The counties, cities, and transportation authorities under RCW
25 82.14.045, public facilities districts under chapters 36.100 and 35.57
26 RCW, public transportation benefit areas under RCW 82.14.440, regional
27 transportation investment districts, and transportation benefit
28 districts under chapter 36.73 RCW must contract, prior to the effective
29 date of a resolution or ordinance imposing a sales and use tax, the
30 administration and collection to the state department of revenue, which
31 must deduct a percentage amount, as provided by contract, not to exceed
32 two percent of the taxes collected for administration and collection
33 expenses incurred by the department. The remainder of any portion of
34 any tax authorized by this chapter that is collected by the department
35 of revenue must be deposited by the state department of revenue in the
36 local sales and use tax account hereby created in the state treasury.

1 Beginning January 1, 2013, the department of revenue must make deposits
2 in the local sales and use tax account on a monthly basis on the last
3 business day of the month in which distributions required in (a) of
4 this subsection are due. Moneys in the local sales and use tax account
5 may be withdrawn only for:

6 (a) Distribution to counties, cities, transportation authorities,
7 public facilities districts, public transportation benefit areas,
8 regional transportation investment districts, and transportation
9 benefit districts imposing a sales and use tax; and

10 (b) Making refunds of taxes imposed under the authority of this
11 chapter and RCW 81.104.170 and exempted under RCW 82.08.962 (~~and~~),
12 82.12.962, 82.08.02565, and 82.12.02565.

13 (2) All administrative provisions in chapters 82.03, 82.08, 82.12,
14 and 82.32 RCW, as they now exist or may hereafter be amended, insofar
15 as they are applicable to state sales and use taxes, are applicable to
16 taxes imposed pursuant to this chapter.

17 (3) Counties, cities, transportation authorities, public facilities
18 districts, and regional transportation investment districts may not
19 conduct independent sales or use tax audits of sellers registered under
20 the streamlined sales tax agreement.

21 (4) Except as provided in RCW 43.08.190 and subsection (5) of this
22 section, all earnings of investments of balances in the local sales and
23 use tax account must be credited to the local sales and use tax account
24 and distributed to the counties, cities, transportation authorities,
25 public facilities districts, public transportation benefit areas,
26 regional transportation investment districts, and transportation
27 benefit districts monthly.

28 (5) Beginning January 1, 2013, the state treasurer must determine
29 the amount of earnings on investments that would have been credited to
30 the local sales and use tax account if the collections had been
31 deposited in the account over the prior month. When distributions are
32 made under subsection (1)(a) of this section, the state treasurer must
33 transfer this amount from the state general fund to the local sales and
34 use tax account and must distribute such sums to the counties, cities,
35 transportation authorities, public facilities districts, public
36 transportation benefit areas, regional transportation investment
37 districts, and transportation benefit districts.

1 **Sec. 404.** RCW 82.14.060 and 2009 c 469 s 108 are each amended to
2 read as follows:

3 (1)(a) Monthly, the state treasurer must distribute from the local
4 sales and use tax account to the counties, cities, transportation
5 authorities, public facilities districts, and transportation benefit
6 districts the amount of tax collected on behalf of each taxing
7 authority, less:

8 (i) The deduction provided for in RCW 82.14.050; and

9 (ii) The amount of any refunds of local sales and use taxes
10 exempted under RCW 82.08.962 (~~and~~), 82.12.962, 82.08.02565, and
11 82.12.02565, which must be made without appropriation.

12 (b) The state treasurer (~~shall~~) must make the distribution under
13 this section without appropriation.

14 (2) In the event that any ordinance or resolution imposes a sales
15 and use tax at a rate in excess of the applicable limits contained
16 herein, such ordinance or resolution (~~shall~~) may not be considered
17 void in toto, but only with respect to that portion of the rate which
18 is in excess of the applicable limits contained herein.

19 **Sec. 405.** RCW 82.08.0261 and 1980 c 37 s 28 are each amended to
20 read as follows:

21 (1) Except as otherwise provided in this section, the tax levied by
22 RCW 82.08.020 (~~shall~~) does not apply to sales of tangible personal
23 property (other than the type referred to in RCW 82.08.0262) for use by
24 the purchaser in connection with the business of operating as a private
25 or common carrier by air, rail, or water in interstate or foreign
26 commerce(~~(:—PROVIDED, That))~~). However, any actual use of such
27 property in this state (~~shall~~) is, at the time of such actual use,
28 (~~be~~) subject to the tax imposed by chapter 82.12 RCW.

29 (2)(a) With respect to the sale of liquefied natural gas to a
30 business operating as a private or common carrier by water in
31 interstate or foreign commerce, the buyer is entitled to a partial
32 exemption from the tax levied by RCW 82.08.020 and the associated local
33 sales taxes. The exemption under this subsection (2) is for the state
34 and local retail sales taxes on ninety percent of the amount of the
35 liquefied natural gas transported and consumed outside this state by
36 the buyer.

1 (b) Sellers are relieved of the obligation to collect the state and
2 local retail sales taxes on sales eligible for the partial exemption
3 provided in this subsection (2) to buyers who are registered with the
4 department if the seller:

5 (i) Obtains a completed exemption certificate from the buyer, which
6 must include the buyer's tax registration number with the department;
7 or

8 (ii) Captures the relevant data elements as allowed under the
9 streamlined sales and use tax agreement, including the buyer's tax
10 registration number with the department.

11 (c) Buyers entitled to a partial exemption under this subsection
12 (2) must either:

13 (i) Pay the full amount of state and local retail sales tax to the
14 seller on the sale, including the amount of tax qualifying for
15 exemption under this subsection (2), and then request a refund of the
16 exempted portion of the tax from the department within the time allowed
17 for making refunds under RCW 82.32.060; or

18 (ii) If the seller did not collect the retail sales tax from the
19 buyer, remit to the department the state and local retail sales taxes
20 due on all liquefied natural gas consumed in this state and on ten
21 percent of the liquefied natural gas that is transported and consumed
22 outside of this state.

23 (3) This section does not apply to the sale of liquefied natural
24 gas on or after July 1, 2028, for use as fuel in any marine vessel.

25 NEW SECTION. Sec. 406. A new section is added to chapter 82.32
26 RCW to read as follows:

27 (1) By the last workday of the second and fourth calendar quarters,
28 the state treasurer must transfer the amount specified in subsection
29 (2) of this section from the general fund to the motor vehicle fund
30 established under RCW 46.68.070. The first transfer under this
31 subsection must occur by December 31, 2017.

32 (2) By December 15th and by June 15th of each year, the department
33 must estimate the increase in state general fund revenues from the
34 taxes collected under RCW 82.08.0261(2)(a) on the nonexempt portion of
35 liquefied natural gas sales in the current and prior calendar quarters
36 and notify the state treasurer of the increase.

37 (3) This section expires July 1, 2028.

