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HOUSE BILL 2410

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State of Washington

68th Legislature

2024 Regular Session

By Representative Ybarra

1 AN ACT Relating to jet fuel; amending RCW 82.04.287, 82.04.436,  
2 and 70A.535.150; creating new sections; and providing an effective  
3 date.

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

5 NEW SECTION. **Sec. 1.** The legislature intends to support the  
6 development of the alternative jet fuels industry in Washington by  
7 expanding existing tax preferences to encourage businesses to locate  
8 in distressed areas of the state. The legislature intends for the  
9 incentives to be focused on the beginning of commercial production  
10 levels when they provide the most productive benefits, while  
11 providing opportunities for workforce development and long-term  
12 employment opportunities in distressed areas.

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

15 (1) Upon every person engaging within the state in the business  
16 of manufacturing alternative jet fuel; as to such persons, the amount  
17 of the tax with respect to such business is, in the case of  
18 manufacturers, equal to the value of the product manufactured, or in  
19 the case of processors for hire, equal to the gross income of the  
20 business, multiplied by the rate of 0.275 percent.

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

6 (3) For the purposes of this section, "alternative jet fuel"  
7 means a fuel that can be blended and used with conventional petroleum  
8 jet fuels without the need to modify aircraft engines and existing  
9 fuel distribution infrastructure and that has lower greenhouse gas  
10 emissions based on a full life-cycle analysis when compared to  
11 conventional petroleum jet fuel for which it is capable as serving as  
12 a substitute, as certified by the department of ecology using the  
13 methods for determining the carbon intensity of fuels under chapter  
14 70A.535 RCW. "Alternative jet fuel" includes jet fuels derived from  
15 coprocessed feedstocks at a conventional petroleum refinery as  
16 certified by the department of ecology using the methods for  
17 determining the carbon intensity of fuels under chapter 70A.535 RCW.

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

21 (5) (a) ~~((The))~~ Except as provided in (b) of this subsection, the  
22 tax rate under subsections (1) and (2) of this section takes effect  
23 on the first day of the first calendar quarter following the month in  
24 which the department receives notice from the department of ecology  
25 that there are one or more facilities operating in this state with a  
26 cumulative production capacity of at least 20,000,000 gallons of  
27 alternative jet fuel each year, as required in RCW 70A.535.150.

28 (b) For a business that produces alternative jet fuel and is  
29 located in a distressed area in this state, the tax rate under  
30 subsections (1) and (2) of this section takes effect on the first day  
31 of the first calendar quarter following the month in which the  
32 department receives notice from the department of ecology, as  
33 required in RCW 70A.535.150, that the particular facility has a  
34 facility-specific production capacity of at least 500,000 gallons of  
35 alternative jet fuel each year.

36 ~~((b))~~ (c) The tax rate expires nine calendar years after the  
37 close of the calendar year in which the ~~((tax rate under subsections~~  
38 ~~(1) and (2) of this section takes effect))~~ department receives notice  
39 from the department of ecology that there are one or more facilities  
40 operating in this state with a cumulative production capacity of at

1 least 20,000,000 gallons of alternative jet fuel each year, as  
2 required in RCW 70A.535.150.

3 (6) For purposes of this section, "distressed area" and  
4 "qualifying county" have the same meanings as in RCW 82.04.436.

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

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

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

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

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

19 (iii) A business that produces alternative jet fuel and is  
20 located in a distressed area in the state.

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

25 (d) A person may ~~((not))~~ receive credit under ~~((both))~~ either  
26 (b)(i) ~~((and))~~, (ii), or (iii) of this subsection.

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

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

37 (g) A credit under this section may not be claimed by a business  
38 under (b)(iii) of this subsection (1) until after June 30, 2025, and  
39 after the department of ecology has provided notice to the department

1 that it verified that the business is operating a facility with a  
2 facility-specific production capacity of at least 500,000 gallons of  
3 alternative jet fuel each year.

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

8 ~~((h))~~ (i) A credit under this section may not be claimed until  
9 the department of ecology, in consultation with the department of  
10 archaeology and historic preservation, verifies that the person  
11 applying for the credit is not engaged in the manufacturing of  
12 alternative jet fuel on the footprint of a structure listed with the  
13 department of archaeology and historic preservation as a historic  
14 cemetery or tribal burial grounds as per chapter 27.44 or 68.60 RCW.  
15 If the department of ecology has not made a determination within 60  
16 days of the person requesting verification under this subsection, the  
17 application is deemed to be verified.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

16 (8) For the purposes of this section:

17 (a) "Alternative jet fuel" has the same meaning as in RCW  
18 70A.535.010.

19 (b) "Carbon dioxide equivalent" has the same meaning as in RCW  
20 70A.45.010.

21 (c) "Distressed area" means a county that has been designated as  
22 such by January 1, 2024, by the employment security department  
23 pursuant to RCW 43.168.020.

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

27 (9) (a) Credits may be earned beginning on the first day of the  
28 first calendar quarter following the month in which notices under  
29 subsection (1) (f) or (g) of this section ((was)), respectively, were  
30 received by the department.

31 (b) Credits may not be earned beginning nine calendar years after  
32 the close of the calendar year in which the ~~((credit may be earned,~~  
33 ~~as provided in (a) of this subsection)) department receives notice~~  
34 from the department of ecology that there are one or more facilities  
35 operating in this state with a cumulative production capacity of at  
36 least 20,000,000 gallons of alternative jet fuel each year, as  
37 required in RCW 70A.535.150.

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

1           **Sec. 4.** RCW 70A.535.150 and 2023 c 232 s 3 are each amended to  
2 read as follows:

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

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

14           (3) The department must notify the department of revenue within  
15 30 days when any facility capable of producing at least 500,000  
16 gallons of alternative jet fuel each year is operating in a  
17 distressed area in this state and when one or more facilities capable  
18 of producing a cumulative production capacity of at least 20,000,000  
19 gallons of alternative jet fuel each year are operating in this  
20 state.

21           NEW SECTION.   **Sec. 5.** (1) This section is the tax preference  
22 performance statement for sections 2 through 4, chapter . . . , Laws  
23 of 2024 (sections 2 through 4 of this act). This performance  
24 statement is only intended to be used for subsequent evaluation of  
25 the tax preferences. It is not intended to create a private right of  
26 action by any party or be used to determine eligibility for the  
27 preferential tax treatment.

28           (2) The tax preference performance statement in section 8,  
29 chapter 232, Laws of 2023 applies to the expansion of the tax  
30 preferences in sections 2 through 4 of this act.

31           NEW SECTION.   **Sec. 6.** If any provision of this act or its  
32 application to any person or circumstance is held invalid, the  
33 remainder of the act or the application of the provision to other  
34 persons or circumstances is not affected.

35           NEW SECTION.   **Sec. 7.** RCW 82.32.805 does not apply to this act.

1        NEW SECTION.    **Sec. 8.**    Sections 2 through 4 of this act take  
2 effect July 1, 2024.

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