

# Legislative Update

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The primary election is behind us and the general election is fast approaching. Ballots must be mailed by November 6. This is considered a mid-term election because it is between presidential elections. Historically, that means voter turnout is lower. But it is still a very important election for Washington State. All 98 members of the House of Representatives are up for election as are half of our state Senators. The outcome will determine the balance of power in the state legislature for at least the next two years.

In addition to voting for elected officials, there will be a citizen's initiative on the ballot, regarding creation of a first in the nation carbon fee.

## Initiative 1631 – Implementing a Carbon Fee

The initiative would enact a carbon emissions fee of \$15 per metric ton of carbon beginning on January 1, 2020. The fee would increase by \$2 per metric ton, plus the rate of inflation, each year. If the measure passes, Washington will become the first state to have a carbon fee.

If the initiative passes, it is expected to add an estimated 14 cents to the cost of a gallon of gasoline in 2020, increasing to about 16 cents per gallon in 2021. Energy bills will also increase. To put that into perspective, in 2017 Washington State had the second highest gas taxes in the country at 49.4 cents per gallon (state tax) plus federal taxes of 18.4 cents per gallon of gasoline (24.4 cents per gallon of diesel). If the initiative passes, we move to an unenviable first place with the equivalent of a state gas tax of 63.4 cents per gallon. By contrast, Oregon as our nearest neighbors have gas taxes of 31.12 cents per gallon (less than half), and Idaho has gas taxes of 33 cents per gallon (a little over half).

The measure is projected to raise \$1 billion annually. These funds would be spent by an independent board, but how the money will be spent is vague. Two years after the measure passes, state law allows the legislature to sweep the funds from the account and use them for any purpose they wish.

The initiative does contain exemptions. The fee would not be charged on:

- Fuel sold to government agencies and the military;
- Fossil fuels supplied to light and power businesses to generate electricity, such as Puget Sound Energy (PSE);
- Fuel or energy bought, sold or used by Indian tribes or individual Indians;

- Aircraft and maritime fuels;
- Fuel used for agricultural purposes – but this exemption only applies only to fuel used to operate farm equipment, not to trucks used to deliver products or haul supplies, or to forest harvesting equipment.

The result of these exemptions is that the burden of the tax falls on families and commercial industry. Some industries have said they would leave the state due to the increased cost of energy if the initiative passes. Businesses that cannot leave will have to endure the costs.

People who live in rural areas must drive farther to reach grocery stores, doctors' offices and many other services. From that perspective, this would be a greater tax on rural Washingtonians that do not have the benefit of public transportation. As an example, if you drive 15,000 miles per year with a vehicle that gets 25 miles per gallon you will be paying another \$84 per year on top of what you currently pay in fuel taxes for the first year. That will go up year by year. Increase your mileage or reduce your fuel efficiency and that cost will go up even more.

Specific to forestry, the cost of any activity that uses fuel will increase. If you hire someone to log for you, their expenses will go up. For example, average fuel usage for a high efficiency ground based harvest system (harvesting equipment, trucks and support pickups) is about 520 gallons per day so that new fee (tax) will increase costs by \$75 per day on average. For individual owner operators, such as a log truck driver, the cost of running an average log truck will go up by about \$1,800-\$2,000 per year in additional costs, beyond what is currently paid in fuel taxes. As costs go up, return to the landowner decreases.



*NOTE: We aim to provide up-to-date information to our members about the current status of the legislative session and the relevant forestry-related bills. If you have concerns about a particular initiative, bill or forestry-related issue, Heather Hansen is available at [hhansen@wafarmforestry.com](mailto:hhansen@wafarmforestry.com).*