

# SENATE BILL REPORT

## SB 5736

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As Reported by Senate Committee On:  
Environment, Water & Energy, February 10, 2009

**Title:** An act relating to sales and use tax preferences for electric vehicles and electric vehicle infrastructure.

**Brief Description:** Concerning sales and use tax preferences for electric vehicles and electric vehicle infrastructure.

**Sponsors:** Senators Rockefeller, Kohl-Welles, Pridemore, Berkey, Kastama, Shin, Jacobsen, Brandland, Hatfield, Keiser, McAuliffe and Kline.

**Brief History:**

**Committee Activity:** Environment, Water & Energy: 1/30/09, 2/10/09 [DPS-WM, DNP, w/oRec].

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### SENATE COMMITTEE ON ENVIRONMENT, WATER & ENERGY

**Majority Report:** That Substitute Senate Bill No. 5736 be substituted therefor, and the substitute bill do pass and be referred to Committee on Ways & Means.

Signed by Senators Rockefeller, Chair; Fraser, Hatfield, Marr, Morton, Ranker and Sheldon.

**Minority Report:** Do not pass.

Signed by Senators Delvin and Holmquist.

**Minority Report:** That it be referred without recommendation.

Signed by Senator Honeyford, Ranking Minority Member.

**Staff:** Jan Odano (786-7486)

**Background:** In the 2005 session, the Legislature created a new retail sales and use tax exemption for new motor vehicles that use clean alternative fuels, beginning January 1, 2009, and lasting for two years only. The exemption covers the acquisition of new passenger cars or trucks that meet the California motor vehicle emission standards as of January 2005, and that are powered exclusively by natural gas, propane, hydrogen, or electricity. The exemption also covers new passenger cars or trucks that operate on hybrid technology and

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that have a highway gasoline mileage rating estimated by the United States Environmental Protection Agency of at least 40 miles per gallon.

**Summary of Bill (Recommended Substitute):** The exemption for new motor vehicles that use clean alternative fuels expires June 30, 2014. Clean alternative fuels means natural gas, propane, or hydrogen.

The sales tax exemption on the purchase of new electric vehicles is expanded and extended to June 30, 2014. It includes:

- vehicles using electricity as the primary source of power, including plug-in and hybrid plug-in electric vehicles;
- electric vehicle batteries; and
- electric vehicle infrastructure and installation, including battery charging and exchange stations.

Beginning in 2014, the purchase of electric vehicles receive a reduced state sales tax rate, as follows:

- 1.3 percent from June 2014 to June 2016;
- 2.6 percent from 2016 to 2018;
- 3.9 percent from 2018 to 2020;
- 5.2 percent from 2020 to 2022; and
- the full 6.5 percent rate thereafter.

Until June 30, 2014, there is a sales tax exemption on the sale of vehicles which become part of a vehicle fleet certified by the Puget Sound Clean Air Agency or similar recognized certifying agency as an Evergreen Fleet.

The sales tax exemption for vehicles using hybrid technology and having an estimated highway gasoline mileage rating of 40 mpg is repealed.

**EFFECT OF CHANGES MADE BY ENVIRONMENT, WATER & ENERGY COMMITTEE (Recommended Substitute):** The expiration date is extended one year to 2014. The definition of passenger vehicle reflects the same definition under the Motor Vehicle Code, which specifies that a passenger car is every motor vehicle designed for carrying ten passengers or less, used for transportation of persons. This definition excludes motorcycles and motor-driven cycles.

**Appropriation:** None.

**Fiscal Note:** Requested on January 27, 2009.  
[OFM requested ten-year cost projection pursuant to I-960.]

**Committee/Commission/Task Force Created:** No.

**Effective Date:** The bill contains an emergency clause and takes effect immediately.

**Staff Summary of Public Testimony on Original Bill:** PRO: Repealing the sales tax on hybrid vehicles will expire in 2013 prior to the introduction of electric vehicles, and this incentive is important.

OTHER: Any tools that will help the sales of all vehicles, including those for hybrids and electric vehicles, provide better and cleaner cars will help the environment. These incentives are helpful to the auto industry, as well as to the consumer.

**Persons Testifying:** PRO: Mike Ryherd, Puget Sound Clean Air Agency.

OTHER: Scott Hazelgrove, Washington State Auto Dealers Association.