H-4643.3

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**SUBSTITUTE HOUSE BILL 2486**

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**State of Washington 66th Legislature 2020 Regular Session**

**By** House Finance (originally sponsored by Representatives Lekanoff, Fitzgibbon, Leavitt, Doglio, Ramel, and Hudgins; by request of Governor Inslee)

AN ACT Relating to extending the electric marine battery incentive; amending RCW 82.08.996 and 82.12.996; amending 2019 c 287 s 20 (uncodified); providing an effective date; and providing expiration dates.

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

**Sec.**  RCW 82.08.996 and 2019 c 287 s 21 are each amended to read as follows:

(1) The tax imposed by RCW 82.08.020 does not apply to:

(a) The sale of new battery-powered electric marine propulsion systems with continuous power greater than fifteen kilowatts((~~.~~));

(b) The sale of new vessels equipped with propulsion systems that qualify under (a) of this subsection((~~.~~));

(c) The sale of batteries and battery packs used to exclusively power electric marine propulsion systems with a continuous power greater than fifteen kilowatts;

(d)(i) The sale of new shoreside batteries purchased and installed for the purpose of reducing grid demand when charging electric and hybrid vessels;

(ii) The sale of or charge made for labor and services rendered in respect to installing, repairing, altering, or improving shoreside batteries;

(iii) The sale of or charge made for labor and services rendered in respect to installing, constructing, repairing, or improving shoreside batteries infrastructure; and

(iv) The sale of tangible personal property that will become a component of shoreside batteries infrastructure.

(2) Sellers may make tax exempt sales under this section only if the buyer provides the seller with an exemption certificate in a form and manner prescribed by the department. The seller must retain a copy of the certificate for the seller's files.

(3) ((~~On the last day of January, April, July, and October of each year, the state treasurer, based upon information provided by the department, must transfer from the multimodal transportation account to the general fund a sum equal to the dollar amount that would otherwise have been deposited into the general fund during the prior calendar quarter but for the exemption provided in this section. Information provided by the department to the state treasurer must be based on the best available data, except that the department may provide estimates of taxes exempted under this section until such time as retailers are able to report such exempted amounts on their tax returns.~~

~~(4)~~)) For the purposes of this section:

(a) "Battery" means a secondary battery or storage cell that can be charged, discharged into a load, and recharged many times; and includes one of several different combinations of electrode materials and electrolytes;

(b) "Battery pack" means a group of any number of secondary or rechargeable batteries within a casing and used as a power source for battery-powered electric marine propulsion systems;

(c) "Battery-powered electric marine propulsion system" means a fully electric or hybrid electric outboard or inboard motor used by vessels, ((~~the sole~~)) a major source of propulsive power of which is the energy stored in the battery packs. The term includes required accessories, such as throttles, displays, and battery packs; ((~~and~~

~~(b)~~)) (d) "Shoreside batteries" means batteries installed at a dock or similar location to provide an electric charge to a vessel powered by an electric marine propulsion system;

(e) "Shoreside batteries infrastructure" means the shoreside battery bank, charging apparatus, and emergency services generator; and

(f) "Vessel" includes every watercraft, other than a seaplane, used or capable of being used as a means of transportation on the water.

((~~(5)~~)) (4) This section expires July 1, ((~~2025~~)) 2035.

**Sec.**  RCW 82.12.996 and 2019 c 287 s 22 are each amended to read as follows:

(1) The tax imposed by RCW 82.12.020 does not apply to the use of:

(a) New battery-powered electric marine propulsion systems with continuous power greater than fifteen kilowatts; ((~~and~~))

(b) New vessels equipped with propulsion systems that qualify under (a) of this subsection;

(c) Batteries and battery packs used to exclusively power electric marine propulsion systems with a continuous power greater than fifteen kilowatts; and

(d)(i) New shoreside batteries purchased and installed for the purpose of reducing grid demand when charging electric and hybrid vessels; and

(ii) Tangible personal property that will become a component of shoreside batteries infrastructure.

(2) Sellers may make tax exempt sales under this section only if the buyer provides the seller with an exemption certificate in a form and manner prescribed by the department. The seller must retain a copy of the certificate for the seller's files.

(3) ((~~On the last day of January, April, July, and October of each year, the state treasurer, based upon information provided by the department, must transfer from the multimodal transportation account to the general fund a sum equal to the dollar amount that would otherwise have been deposited into the general fund during the prior calendar quarter but for the exemption provided in this section. Information provided by the department to the state treasurer must be based on the best available data, except that the department may provide estimates of taxes exempted under this section until such time as retailers are able to report such exempted amounts on their tax returns.~~

~~(4)~~)) For the purposes of this section, "battery-powered electric marine propulsion system" and "vessel" have the same meanings as provided in ((~~section 22 of this act~~)) RCW 82.08.996.

((~~(5)~~)) (4) This section expires July 1, ((~~2025~~)) 2035.

**Sec.**  2019 c 287 s 20 (uncodified) is amended to read as follows:

This section is the tax preference performance statement for the tax preferences contained in sections 1 and 2, chapter . . ., Laws of 2020 (sections 1 and 2 of this act) and sections 21 and 22, chapter 287, Laws of 2019. The performance statement is only intended to be used for subsequent evaluation of the tax preference. It is not intended to create a private right of action by any party or be used to determine eligibility for preferential tax treatment.

(1) The legislature categorizes the tax preferences as ones intended to induce certain designated behavior by taxpayers, as indicated in RCW 82.32.808(2)(a).

(2) It is the legislature's specific public policy objective to increase the use of electric vessels in Washington. It is the legislature's intent to establish a sales and use tax exemption on certain electric vessels in order to reduce the price charged to customers for electric vessels and to create and retain jobs associated with electric marine battery manufacturing and the construction of new electric ferries in Washington.

(3) To measure the effectiveness of the tax preferences in sections 1 and 2, chapter . . ., Laws of 2020 (sections 1 and 2 of this act) and sections 21 and 22, chapter 287, Laws of 2019 in achieving the public policy objectives described in subsection (2) of this section, the joint legislative audit and review committee must evaluate the number of electric vessels titled in the state.

(4) If a review finds that jobs in Washington associated with electric marine battery manufacturing and the construction of new electric ferries using electric battery power are created and retained, then the legislature intends to extend the expiration date of these tax preferences.

(5) In order to obtain the data necessary to perform the reviews in subsections (3) and (4) of this section, the department of licensing and the department of revenue must provide data needed for the joint legislative audit and review committee analysis. In addition to the data source described under this subsection, the joint legislative audit and review committee may use any other data it deems necessary.

NEW SECTION. **Sec.**  This act takes effect July 1, 2020.

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