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**SECOND SUBSTITUTE SENATE BILL 5336**

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**State of Washington 66th Legislature 2019 Regular Session**

**By** Senate Transportation (originally sponsored by Senators Palumbo, Carlyle, Nguyen, Saldaña, Hasegawa, Dhingra, Frockt, and Kuderer; by request of Office of the Governor)

AN ACT Relating to advancing electric transportation; amending RCW 82.04.4496, 82.16.0496, and 80.28.360; adding a new section to chapter 82.08 RCW; adding a new section to chapter 82.12 RCW; adding a new section to chapter 35.92 RCW; adding a new section to chapter 54.16 RCW; adding a new section to chapter 80.28 RCW; creating new sections; providing an effective date; providing contingent expiration dates; and declaring an emergency.

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

**PART I**

**ELECTRIC AND ALTERNATIVE FUEL PASSENGER**

**VEHICLE TAX INCENTIVES**

NEW SECTION. **Sec.**  (1) This section is the tax preference performance statement for the tax preferences contained in sections 102 and 103, chapter . . ., Laws of 2019 (sections 102 and 103 of this act). This 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 to be used to determine eligibility for preferential tax treatment.

(2) The legislature categorizes these tax preferences as ones intended to provide tax relief for certain businesses or individuals, as indicated in RCW 82.32.808(2)(e).

(3) It is the legislature's specific public policy objective to make electric vehicles more accessible and affordable to everyone.

(4) If the review finds that the cumulative number of qualifying vehicles titled in the state equals or exceeds two percent of all passenger cars, light duty trucks, and medium duty passenger vehicles titled in the state, then the legislature intends to extend the expiration date of these tax preferences.

(5) In order to obtain the data necessary to perform the review in subsection (4) of this section, the joint legislative audit and review committee may refer to any data collected by the state.

NEW SECTION. **Sec.**  A new section is added to chapter 82.08 RCW to read as follows:

(1) Beginning with sales made or lease agreements signed on or after the qualification period start date:

(a) The tax levied by RCW 82.08.020, and any associated local sales taxes, do not apply as provided in (b) of this subsection to sales or leases of new or used passenger cars, light duty trucks, and medium duty passenger vehicles:

(i) That are exclusively powered by an electric battery; and

(ii)(A) That have at the time of sale of a new vehicle or at the inception of the lease of a new vehicle, a lowest manufacturer's suggested retail price of forty-five thousand dollars or less, as determined by the department of licensing, for the base model; or

(B) When the sale or lease is of a used vehicle, if the vehicle model qualified for an exemption under this section and section 103 of this act when the vehicle was new and is included on the list maintained by the department of licensing under subsection (3) of this section.

(b)(i) The exemption in this section is applicable for up to one thousand dollars of the state and local sales tax otherwise due on:

(A) The sale of the new or used vehicle; or

(B) The lease payments made by the lessee under the lease, including any extension of the lease. If the lessee purchases or re-leases the leased vehicle before the qualification period end date and has not used the full one thousand dollar exemption amount, the unused portion of the exemption amount may be applied to the state and local sales tax due on the lessee's purchase or re-lease of the leased vehicle.

(ii) The exemption under this section applies to the state and local sales tax otherwise due on the sale or lease of a qualifying vehicle in the same proportion that the taxing authority's sales tax rate or rates have to the combined state and local sales tax rate on the sale or lease of the qualifying vehicle.

(iii) For purposes of reporting exemptions on a seller's tax returns, the department may require sellers to convert exempted tax amounts into an equivalent selling price exemption and report such amounts as a deduction on the seller's excise tax return.

(2) The seller must keep records necessary for the department to verify eligibility under this section.

(3) The department of licensing must maintain and publish a list of all vehicle models qualifying for the sales tax exemption under this section and the use tax exemption under section 103 of this act beginning at least fifteen days before the qualification period start date until the expiration date of this section. The department of licensing has sole authority over the list required under this subsection. Neither the department nor any seller may grant an exemption under this section or section 103 of this act with respect to any vehicle that is not on the list required under this subsection.

(4) Until the qualification period end date, on the last working day of January, April, July, and October of each year, beginning October 2019, the state treasurer, based upon information provided by the department, must transfer from the forward flexible account created in RCW 46.68.--- (section 802, chapter . . . (Senate Bill No.--- (S-1391/19)), Laws of 2019) 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.

(5)(a) By the end of the fifth working day of each month, until this section expires, the department of licensing must determine the cumulative number of vehicles that qualify for the exemption under this section and section 103 of this act, titled on or after the qualification period start date, and provide notice of the cumulative number of these vehicles to the department. Based on this information, the department must estimate the dollar amount of all state retail sales and use taxes exempted on or after the qualification period start date, under this section and section 103 of this act on a monthly basis.

(b) The department of licensing, after receiving the information under (a) of this subsection from the department, must notify the department once it is estimated that the cumulative dollar amount of state retail sales and use taxes exempted on or after the qualification period start date from this section and section 103 of this act will exceed one hundred million dollars in the subsequent month.

(6) By December 31, 2019, and every six months thereafter until this section expires, based on the best available data, the department must report the following information to the transportation committees of the legislature: The cumulative number of vehicles that qualify for the exemption under this section and section 103 of this act, titled in the state on or after the qualification period start date, as reported to it by the department of licensing; and the dollar amount of all state retail sales and use taxes exempted on or after the qualification period start date, under this section and section 103 of this act.

(7) The definitions in this subsection apply throughout this section unless the context clearly requires otherwise.

(a) "Base model" means the lowest priced version of the vehicle model for which the exemption under this section or section 103 of this act is sought that:

(i) Is the same model year as the vehicle for which the exemption under this section or section 103 of this act is sought;

(ii) Meets the same criteria of subsection (1)(a)(i) of this section as the vehicle for which the exemption under this section or section 103 of this act is sought; and

(iii) Is available for retail sale or lease to consumers.

(b) "Local sales tax" means a retail sales tax imposed under the authority of chapter 82.14 RCW or RCW 81.104.170.

(c) "Local use tax" means a use tax imposed under the authority of chapter 82.14 RCW or RCW 81.104.170.

(d) "Qualification period end date" means the date identified in subsection (8)(a) of this section.

(e) "Qualification period start date" means the first day of the first calendar month after June 2019 that is at least sixty days after the effective date of this section.

(f) "Used" means a passenger car, light duty truck, or medium duty passenger vehicle that has been previously owned or leased by a person.

(8)(a) Sales of vehicles delivered to the buyer or leased vehicles for which the lease agreement was signed after the last day of the third calendar month immediately following the month the department receives notice from the department of licensing under subsection (5)(b) of this section do not qualify for the exemption under this section.

(b) All leased vehicles that qualified for the exemption under this section before the qualification period end date must continue to receive the exemption as described under subsection (1)(b) of this section on any lease payments due through the remainder of the lease before the expiration date of this section, not including any extension of the lease.

(c) For the purposes of (a) of this subsection, if the department of licensing provides the department with notice under subsection (5) of this section after the end of the fifth working day of the month, the notice is deemed to have been received by the department the following month.

(9)(a) Upon receiving notice from the department of licensing under subsection (5)(b) of this section, the department must provide:

(i) Written notice of the qualification period end date and the expiration date of this section to affected parties, the chief clerk of the house of representatives, the secretary of the senate, the office of the code reviser, and others as deemed appropriate by the department; and

(ii) Electronic notice of the qualification period end date and the expiration date of this section on its web site as soon as practicable.

(b) Nothing in this subsection (9) may be construed to affect the validity of any exemption properly allowed by a seller under this section before the expiration date of this section and reported to the department on returns filed after the expiration date of this section.

(10) This section expires four years from the qualification period end date.

NEW SECTION. **Sec.**  A new section is added to chapter 82.12 RCW to read as follows:

(1) Beginning with sales made, lease agreements signed, or other transfers of ownership or possession occurring on or after the qualification period start date:

(a) The provisions of this chapter, and any associated local use taxes, do not apply as provided in (b) of this subsection in respect to the use of new or used passenger cars, light duty trucks, and medium duty passenger vehicles:

(i) That are exclusively powered by an electric battery; and

(ii)(A) That have at the time of purchase of a new vehicle, at the inception of a lease of a new vehicle, or at the time of any other transfer of ownership or possession of a new vehicle, a lowest manufacturer's suggested retail price of forty-five thousand dollars or less, as determined by the department of licensing, for the base model; or

(B) When the vehicle is used, if the vehicle model qualified for an exemption under this section and section 102 of this act when the vehicle was new and is included on the list maintained by the department of licensing under section 102(3) of this act.

(b)(i) The exemption in this section is applicable for up to one thousand dollars of the state and local use tax otherwise due on:

(A) The use of a new or used vehicle; or

(B) For leased vehicles, the lease payments made by the lessee under the lease, including any extension of the lease. If the lessee purchases or re-leases the leased vehicle before the qualification period end date and has not used the full one thousand dollar exemption amount, the unused portion of the exemption amount may be applied to the state and local sales or use tax due on the lessee's purchase or re-lease of the leased vehicle.

(ii) The exemption under this section applies to the state and local use tax otherwise due on the use of a qualifying vehicle in the same proportion that the taxing authority's use tax rate or rates have to the combined state and local use tax rate on the use of the qualifying vehicle.

(iii) For purposes of reporting exemptions on a seller's tax returns, the department may require sellers to convert exempted tax amounts into an equivalent purchase price exemption and report such amounts as a deduction on the seller's excise tax return.

(2) Sellers and consumers must keep records necessary for the department to verify eligibility under this section.

(3) Until the qualification period end date, on the last working day of January, April, July, and October of each year, beginning in October 2019, the state treasurer, based upon information provided by the department, must transfer from the forward flexible account created in RCW 46.68.--- (section 802, chapter . . . (Senate Bill No.--- (S-1391/19)), Laws of 2019) 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.

(4)(a) Vehicles purchased, leased vehicles for which the lease agreement was signed, and vehicles otherwise acquired after the qualification period end date do not qualify for the exemption under this section.

(b) All leased vehicles that qualified for the exemption under this section before the qualification period end date must continue to receive the exemption as described under subsection (1)(b) of this section on any lease payments due through the remainder of the lease before the expiration date of this section, not including any extension of the lease.

(5) The definitions in section 102 of this act apply to this section.

(6)(a) When the department of licensing, after receiving the information under section 102(5)(b) of this act from the department, notifies the department that the estimated cumulative dollar amount of state retail sales and use taxes exempted on or after the qualification period start date from this section and section 102 of this act will exceed one hundred million dollars in the subsequent month, this section expires four years from the qualification period end date.

(b) The department must provide:

(i) Written notice of the qualification period end date and the expiration date of this section to affected parties, the chief clerk of the house of representatives, the secretary of the senate, the office of the code reviser, and others as deemed appropriate by the department; and

(ii) Electronic notice of the qualification period end date and the expiration date of this section on its web site as soon as practicable.

**PART II**

**ELECTRIC AND ALTERNATIVE FUEL COMMERCIAL VEHICLE SALES TAX CREDITS**

NEW SECTION. **Sec.**  (1) This section is the tax preference performance statement for the tax preferences contained in part II of this act. 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.

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

(3) It is the legislature's specific public policy objective to increase the use of clean alternative fuel vehicles in Washington.

(4) To measure the effectiveness of the tax preferences in this act in achieving the public policy objectives described in subsection (3) of this section, the joint legislative audit and review committee must evaluate the number of clean alternative fuel vehicles titled in the state in calendar year 2023.

(5) In order to obtain the data necessary to perform the review in subsection (4) of this section, the joint legislative audit and review committee may refer to any data collected by the state.

**Sec.**  RCW 82.04.4496 and 2017 c 116 s 1 are each amended to read as follows:

(1)(a) A person who is taxable under this chapter is allowed a credit against the tax imposed in this chapter according to the gross vehicle weight rating of the vehicle and the incremental cost of the vehicle purchased above the purchase price of a comparable conventionally fueled vehicle. The credit is limited, as set forth in the table below, to the lesser of the incremental cost amount or the maximum credit amount per vehicle purchased, and subject to a maximum annual credit amount per vehicle class.

|  |  |  |  |
| --- | --- | --- | --- |
| Gross Vehicle Weight | Incremental Cost Amount | Maximum Credit AmountPer Vehicle | Maximum Annual CreditPer Vehicle Class |
| Up to 14,000 pounds | ((~~50~~)) 75% of incremental cost | $25,000 | ((~~$2,000,000~~)) $13,333,333 |
| 14,001 to 26,500 pounds | ((~~50~~)) 75% of incremental cost | $50,000 | ((~~$2,000,000~~)) $13,333,333 |
| Above 26,500 pounds | ((~~50~~)) 75% of incremental cost | $100,000 | ((~~$2,000,000~~)) $13,333,333 |

(b) On September 1st of each year any unused credits from any weight class identified in the table in (a) of this subsection must be made available to applicants applying for credits under any other weight class listed.

(c) The credit provided in this subsection (1) is available for the lease of a vehicle. The credit amount for a leased vehicle is equal to the credit in this subsection (1) multiplied by the lease reduction factor. The person claiming the credit for a leased vehicle must be the lessee as identified in the lease contract.

(d) Beginning December 31, 2020, and every four years thereafter, the department must review the credits claimed, incremental costs of alternative fuel vehicles, and recommend changes to the incentive levels for each class of vehicle to the legislature in order to promote cost-efficient conversions.

(2) A person who is taxable under this chapter is allowed, subject to the maximum annual credit per vehicle class in subsection (1)(a) of this section, a credit against the tax imposed in this chapter for the lesser of ((~~twenty-five~~)) fifty thousand dollars or ((~~thirty~~)) fifty percent of the costs of converting a commercial vehicle to be principally powered by a clean alternative fuel with a United States environmental protection agency certified conversion.

(3) The total credits under this section may not exceed the lesser of ((~~two~~)) five hundred ((~~fifty~~)) thousand dollars or ((~~twenty-five~~)) fifty vehicles per person per calendar year.

(4) A person may not receive credit under this section for amounts claimed as credits under chapter 82.16 RCW.

(5) Credits are available on a first-in-time basis. The department must disallow any credits, or portion thereof, that would cause the total amount of credits claimed under this section, and RCW 82.16.0496, during any calendar year to exceed ((~~six~~)) forty million dollars. The department must provide notification on its web site monthly on the amount of credits that have been applied for, the amount issued, and the amount remaining before the statewide annual limit is reached. In addition, the department must provide written notice to any person who has applied to claim tax credits in excess of the limitation in this subsection.

(6) For the purposes of the limits provided in this section, a credit must be counted against such limits for the calendar year in which the credit is earned.

(7) To claim a credit under this section a person must electronically file with the department all returns, forms, and any other information required by the department, in an electronic format as provided or approved by the department. No refunds may be granted for credits under this section.

(8) To claim a credit under this section, the person applying must:

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

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

(ii) A quote or unexecuted copy of the purchase requisition or order for the vehicle;

(iii) The type of alternative fuel to be used by the vehicle;

(iv) The incremental cost of the alternative fuel system;

(v) The anticipated delivery date of the vehicle;

(vi) The estimated annual fuel use of the vehicle in the anticipated duties;

(vii) The gross weight of each vehicle;

(viii) For leased vehicles, a copy of the lease contract that includes the gross capitalized cost, residual value, and name of the lessee; and

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

(b) Within fifteen days of notice of credit availability from the department, provide notice of intent to claim the credit including:

(i) A copy of the order for the vehicle, including the total cost for the vehicle;

(ii) The anticipated delivery date of the vehicle, which must be within one year of acceptance of the credit; and

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

(c) Provide final documentation within fifteen days of receipt of the vehicle, including:

(i) A copy of the final invoice for the vehicle;

(ii) A copy of the factory build sheet or equivalent documentation;

(iii) The vehicle identification number of each vehicle;

(iv) The incremental cost of the alternative fuel system;

(v) Attestations signed by both the seller and purchaser of each vehicle attesting that the incremental cost of the alternative fuel system includes only the costs necessary for the vehicle to run on alternative fuel and no other vehicle options, equipment, or costs; and

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

(9) A person applying for credit under subsection (8) of this section may apply for multiple vehicles on the same application, but the application must include the required information for each vehicle included in the application.

(10) To administer the credits, the department must, at a minimum:

(a) Provide notification on its web site monthly of the amount of credits that have been applied for, claimed, and the amount remaining before the statewide annual limit is reached;

(b) Within fifteen days of receipt of the application, notify persons applying of the availability of tax credits in the year in which the vehicles applied for are anticipated to be delivered;

(c) Within fifteen days of receipt of the notice of intent to claim the tax credit, notify the applicant of the approval, denial, or missing information in their notice; and

(d) Within fifteen days of receipt of final documentation, review the documentation and notify the person applying of the acceptance of their final documentation.

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

(12)(a) Taxpayers are only eligible for a credit under this section based on:

(i) Sales or leases of new commercial vehicles and qualifying used commercial vehicles with propulsion units that are principally powered by a clean alternative fuel; or

(ii) Costs to modify a commercial vehicle, including sales of tangible personal property incorporated into the vehicle and labor or service expenses incurred in modifying the vehicle, to be principally powered by a clean alternative fuel.

(b) A credit is earned when the purchaser or the lessee takes receipt of the qualifying commercial vehicle or the conversion is complete.

(13) A credit earned during one calendar year may be carried over to be credited against taxes incurred in the subsequent calendar year, but may not be carried over a second year.

(14)(a) Beginning November 25, 2015, and on the 25th of February, May, August, and November of each year thereafter, the department must notify the state treasurer of the amount of credits taken under this section as reported on returns filed with the department during the preceding calendar quarter ending on the last day of December, March, June, and September, respectively.

(b) On the last working day of March, June, September, and December of each year, the state treasurer, based upon information provided by the department, must transfer a sum equal to the dollar amount of the credit provided under this section from the multimodal transportation account to the general fund. However, if at any time the cumulative amount of credits claimed under this section and RCW 82.16.0496 total more than thirty-three million dollars, then the state treasurer must cease making transfers under this subsection from the multimodal transportation account.

(15) The definitions in this subsection apply throughout this section unless the context clearly requires otherwise.

(a) "Auto transportation company" means any corporation or person owning, controlling, operating, or managing any motor propelled vehicle, used in the business of transporting persons for compensation over public highways within the state of Washington, between fixed points or over a regular route.

(b) "Clean alternative fuel" means electricity, dimethyl ether, hydrogen, methane, natural gas, liquefied natural gas, compressed natural gas, or propane.

(c) "Commercial vehicle" means any commercial vehicle that is purchased by a private business and that is used exclusively in the provision of commercial services or the transportation of commodities, merchandise, produce, refuse, freight, animals, or passengers, and that is displaying a Washington state license plate. All commercial vehicles that provide transportation to passengers must be operated by an auto transportation company.

(d) "Gross capitalized cost" means the agreed upon value of the commercial vehicle and including any other items a person pays over the lease term that are included in such cost.

(e) "Lease reduction factor" means the vehicle gross capitalized cost less the residual value, divided by the gross capitalized cost.

(f) "Qualifying used commercial vehicle" means vehicles that:

(i) Have an odometer reading of less than four hundred fifty thousand miles;

(ii) Are less than ten years past their original date of manufacture;

(iii) Were modified after the initial purchase with a United States environmental protection agency certified conversion that would allow the propulsion units to be principally powered by a clean alternative fuel; and

(iv) Are being sold for the first time after modification.

(g) "Residual value" means the lease-end value of the vehicle as determined by the lessor, at the end of the lease term included in the lease contract.

(16) Credits may be earned under this section from January 1, 2016, through ((~~January 1, 2021~~)) one year before the expiration date of this section, except for credits for leased vehicles, which may be earned from July 1, 2016, through ((~~January 1, 2021~~)) one year before the expiration date of this section.

(17) Credits earned under this section may not be used after ((~~January 1, 2022~~)) the expiration date of this section.

(18) This section expires on the earlier of the following dates:

(a) January 1, ((~~2022~~)) 2051; or

(b)(i) The date on which the department of revenue makes an estimate stating that the cumulative amount of credits claimed under this section and RCW 82.16.0496 will total more than thirty-three million dollars in the subsequent month.

(ii) The department of revenue must provide written notice of the expiration date of this section to affected parties, the chief clerk of the house of representatives, the secretary of the senate, the office of the code reviser, and others as deemed appropriate by the department.

**Sec.**  RCW 82.16.0496 and 2017 c 116 s 2 are each amended to read as follows:

(1)(a) A person who is taxable under this chapter is allowed a credit against the tax imposed in this chapter according to the gross vehicle weight rating of the vehicle and the incremental cost of the vehicle purchased above the purchase price of a comparable conventionally fueled vehicle. The credit is limited, as set forth in the table below, to the lesser of the incremental cost amount or the maximum credit amount per vehicle purchased, and subject to a maximum annual credit amount per vehicle class.

|  |  |  |  |
| --- | --- | --- | --- |
| Gross Vehicle Weight | Incremental Cost Amount | Maximum Credit AmountPer Vehicle | Maximum Annual CreditPer Vehicle Class |
| Up to 14,000 pounds | ((~~50~~)) 75% of incremental cost | $25,000 | ((~~$2,000,000~~)) $13,333,333 |
| 14,001 to 26,500 pounds | ((~~50~~)) 75% of incremental cost | $50,000 | ((~~$2,000,000~~)) $13,333,333 |
| Above 26,500 pounds | ((~~50~~)) 75% of incremental cost | $100,000 | ((~~$2,000,000~~)) $13,333,333 |

(b) On September 1st of each year any unused credits from any weight class identified in the table in (a) of this subsection must be made available to applicants applying for credits under any other weight class listed.

(c) The credit provided in this subsection (1) is available for the lease of a vehicle. The credit amount for a leased vehicle is equal to the credit in this subsection (1) multiplied by the lease reduction factor. The person claiming the credit for a leased vehicle must be the lessee as identified in the lease contract.

(d) Beginning December 31, 2020, and every four years thereafter, the department must review the credits claimed, incremental costs of alternative fuel vehicles, and recommend changes to the incentive levels for each class of vehicle to the legislature in order to promote cost-efficient conversions.

(2) A person who is taxable under this chapter is allowed, subject to the maximum annual credit per vehicle class in subsection (1)(a) of this section, a credit against the tax imposed in this chapter for the lesser of twenty-five thousand dollars or thirty percent of the costs of converting a commercial vehicle to be principally powered by a clean alternative fuel with a United States environmental protection agency certified conversion.

(3) The total credits under this section may not exceed two hundred fifty thousand dollars or twenty-five vehicles per person per calendar year.

(4) A person may not receive credit under this section for amounts claimed as credits under chapter 82.04 RCW.

(5) Credits are available on a first-in-time basis. The department must disallow any credits, or portion thereof, that would cause the total amount of credits claimed under this section, and RCW 82.04.4496, during any calendar year to exceed ((~~six~~)) forty million dollars. The department must provide notification on its web site monthly on the amount of credits that have been applied for, the amount issued, and the amount remaining before the statewide annual limit is reached. In addition, the department must provide written notice to any person who has applied to claim tax credits in excess of the limitation in this subsection.

(6) For the purposes of the limits provided in this section, a credit must be counted against such limits for the calendar year in which the credit is earned.

(7) To claim a credit under this section a person must electronically file with the department all returns, forms, and any other information required by the department, in an electronic format as provided or approved by the department. No refunds may be granted for credits under this section.

(8) To claim a credit under this section, the person applying must:

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

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

(ii) A quote or unexecuted copy of the purchase requisition or order for the vehicle;

(iii) The type of alternative fuel to be used by the vehicle;

(iv) The incremental cost of the alternative fuel system;

(v) The anticipated delivery date of the vehicle;

(vi) The estimated annual fuel use of the vehicle in the anticipated duties;

(vii) The gross weight of each vehicle;

(viii) For leased vehicles, a copy of the lease contract that includes the gross capitalized cost, residual value, and name of the lessee; and

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

(b) Within fifteen days of notice of credit availability from the department, provide notice of intent to claim the credit including:

(i) A copy of the order for the vehicle, including the total cost for the vehicle;

(ii) The anticipated delivery date of the vehicle, which must be within one year of acceptance of the credit; and

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

(c) Provide final documentation within fifteen days of receipt of the vehicle, including:

(i) A copy of the final invoice for the vehicle;

(ii) A copy of the factory build sheet or equivalent documentation;

(iii) The vehicle identification number of each vehicle;

(iv) The incremental cost of the alternative fuel system;

(v) Attestations signed by both the seller and purchaser of the vehicle attesting that the incremental cost of the alternative fuel system includes only the costs necessary for the vehicle to run on alternative fuel and no other vehicle options, equipment, or costs; and

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

(9) A person applying for credit under subsection (8) of this section may apply for multiple vehicles on the same application, but the application must include the required information for each vehicle included in the application.

(10) To administer the credits, the department must, at a minimum:

(a) Provide notification on its web site monthly of the amount of credits that have been applied for, claimed, and the amount remaining before the statewide annual limit is reached;

(b) Within fifteen days of receipt of the application, notify persons applying of the availability of tax credits in the year in which the vehicles applied for are anticipated to be delivered;

(c) Within fifteen days of receipt of the notice of intent to claim the tax credit, notify the applicant of the approval, denial, or missing information in their notice; and

(d) Within fifteen days of receipt of final documentation, review the documentation and notify the person applying of the acceptance of their final documentation.

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

(12)(a) Taxpayers are only eligible for a credit under this section based on:

(i) Sales or leases of new commercial vehicles and qualifying used commercial vehicles with propulsion units that are principally powered by a clean alternative fuel; or

(ii) Costs to modify a commercial vehicle, including sales of tangible personal property incorporated into the vehicle and labor or service expenses incurred in modifying the vehicle, to be principally powered by a clean alternative fuel.

(b) A credit is earned when the purchaser or the lessee takes receipt of the qualifying commercial vehicle or the conversion is complete.

(13) The definitions in RCW 82.04.4496 apply to this section.

(14) A credit earned during one calendar year may be carried over to be credited against taxes incurred in the subsequent calendar year, but may not be carried over a second year.

(15)(a) Beginning November 25, 2015, and on the 25th of February, May, August, and November of each year thereafter, the department must notify the state treasurer of the amount of credits taken under this section as reported on returns filed with the department during the preceding calendar quarter ending on the last day of December, March, June, and September, respectively.

(b) On the last working day of March, June, September, and December of each year, the state treasurer, based upon information provided by the department, must transfer a sum equal to the dollar amount of the credit provided under this section from the multimodal transportation account to the general fund. However, if at any time the cumulative amount of credits claimed under this section and RCW 82.04.4496 total more than thirty-three million dollars, then the state treasurer must cease making transfers under this subsection from the multimodal transportation account.

(16) Credits may be earned under this section from January 1, 2016, through ((~~January 1, 2021~~)) one year before the expiration date of this section, except for credits for leased vehicles, which may be earned from July 1, 2016, through ((~~January 1, 2021~~)) one year before the expiration date of this section.

(17) Credits earned under this section may not be used after ((~~January 1, 2022~~)) the expiration date of this section.

(18) This section expires on the earlier of the following dates:

(a) January 1, ((~~2022~~)) 2051; or

(b)(i) The date on which the department of revenue makes an estimate stating that the cumulative amount of credits claimed under this section and RCW 82.04.4496 will total more than thirty-three million dollars in the subsequent month.

(ii) The department of revenue must provide written notice of the expiration date of this section to affected parties, the chief clerk of the house of representatives, the secretary of the senate, the office of the code reviser, and others as deemed appropriate by the department.

**PART III**

**ELECTRIFICATION OF TRANSPORTATION INFRASTRUCTURE**

NEW SECTION. **Sec.**  (1) The legislature finds that programs for electrification of transportation have the potential to allow electric utilities to optimize the use of electric grid infrastructure, improve the management of electric loads, and better manage the integration of variable renewable energy resources. Depending upon each utility's unique circumstances, electrification of transportation programs may provide cost-effective energy efficiency, through more efficient use of energy resources, and more efficient use of the electric delivery system. Electrification of transportation may result in cost savings and benefits for all ratepayers.

(2) State policy can achieve the greatest return on investment in reducing greenhouse gas emissions and improving air quality by expediting the transition to alternative fuel vehicles, including electric vehicles. Potential benefits associated with electrification of transportation include the monetization of environmental attributes associated with carbon reduction in the transportation sector.

(3) Legislative clarity is important for utilities to offer programs and services, including incentives, in the electrification of transportation for their customers. It is the intent of the legislature to achieve parity among all electric utilities, so each electric utility, depending on its unique circumstances, can determine its appropriate role in the development of electrification of transportation infrastructure.

NEW SECTION. **Sec.**  A new section is added to chapter 35.92 RCW to read as follows:

(1) The governing authority of an electric utility formed under this chapter may adopt an electrification of transportation plan that, at a minimum, establishes a finding that utility outreach and investment in the electrification of transportation infrastructure does not increase net costs to ratepayers in excess of one-quarter of one percent.

(2) In adopting an electrification of transportation plan under subsection (1) of this section, the governing authority may consider some or all of the following: (a) The applicability of multiple options for electrification of transportation across all customer classes; (b) the impact of electrification on the utility's load, and whether demand response or other load management opportunities, including direct load control and dynamic pricing, are operationally appropriate; (c) system reliability and distribution system efficiencies; (d) interoperability concerns, including the interoperability of hardware and software systems in electrification of transportation proposals; and (e) overall customer experience.

(3) An electric utility formed under this chapter may, upon making a determination in accordance with subsection (1) of this section, offer incentive programs in the electrification of transportation for its customers, including the promotion of electric vehicle adoption and advertising programs to promote the utility's services, incentives, or rebates.

NEW SECTION. **Sec.**  A new section is added to chapter 54.16 RCW to read as follows:

(1) The commission of a public utility district may adopt an electrification of transportation plan that, at a minimum, establishes a finding that outreach and investment in the electrification of transportation infrastructure does not increase net costs to ratepayers in excess of one-quarter of one percent.

(2) In adopting an electrification of transportation plan under subsection (1) of this section, the commission of a public utility district may consider some or all of the following: (a) The applicability of multiple options for electrification of transportation across all customer classes; (b) the impact of electrification on the district's load, and whether demand response or other load management opportunities, including direct load control and dynamic pricing, are operationally appropriate; (c) system reliability and distribution system efficiencies; (d) interoperability concerns, including the interoperability of hardware and software systems in electrification of transportation proposals; and (e) overall customer experience.

(3) A public utility district may, upon making a determination in accordance with subsection (1) of this section, offer incentive programs in the electrification of transportation for its customers, including the promotion of electric vehicle adoption and advertising programs to promote the district's services, incentives, or rebates.

NEW SECTION. **Sec.**  A new section is added to chapter 80.28 RCW to read as follows:

(1) An electric utility regulated by the commission under this chapter may submit to the commission an electrification of transportation plan that deploys electric vehicle supply equipment or provides other electric transportation programs, services, or incentives to support electrification of transportation, provided that such electric vehicle supply equipment, programs, or services may not increase costs to customers in excess of one-quarter of one percent above the benefits of electric transportation to all customers over a period consistent with the utility's planning horizon under its most recent integrated resource plan.

(2) In reviewing an electrification of transportation plan under subsection (1) of this section, the commission may consider the following:

(a) The applicability of multiple options for electrification of transportation across all customer classes;

(b) The impact of electrification on the utility's load, and whether demand response or other load management opportunities, including direct load control and dynamic pricing, are operationally appropriate;

(c) System reliability and distribution system efficiencies;

(d) Interoperability concerns, including the interoperability of hardware and software systems in electrification of transportation proposals;

(e) The benefits and costs of the plan actions; and

(f) The overall customer experience.

(3) The commission must issue an acknowledgment of an electrification plan within six months of the submittal of the plan. The commission may establish by rule the requirements for preparation and submission of an electrification of transportation plan. An electric utility may submit a plan concurrent with the section before or during rule-making proceedings.

**Sec.**  RCW 80.28.360 and 2015 c 220 s 2 are each amended to read as follows:

(1) In establishing rates for each electrical company regulated under this title, the commission may allow an incentive rate of return on investment through December 31, 2030, on capital expenditures for electric vehicle supply equipment that is deployed for the benefit of ratepayers, provided that the capital expenditures do not increase costs to ratepayers in excess of one-quarter of one percent. The commission must consider and may adopt other policies to improve access to and promote fair competition in the provision of electric vehicle supply equipment.

(2) An incentive rate of return on investment under this section may be allowed only if the company chooses to pursue capital investment in electric vehicle supply equipment on a fully regulated basis similar to other capital investments behind a customer's meter. In the case of an incentive rate of return on investment allowed under this section, an increment of up to two percent must be added to the rate of return on common equity allowed on the company's other investments.

(3) The incentive rate of return on investment authorized in subsection (2) of this section applies only to projects which have been installed after July 1, 2015((~~, and which are reasonably expected, at the time they are placed in the rate base, to result in real and tangible benefits for ratepayers by being installed and located where electric vehicles are most likely to be parked for intervals longer than two hours~~)).

(4) The incentive rate of return on investment increment pursuant to this section may be earned only for a period up to the depreciable life of the electric vehicle supply equipment as defined in the depreciation schedules developed by the company and submitted to the commission for review. When the capital investment has fully depreciated, an electrical company may gift the electric vehicle supply equipment to the owner of the property on which it is located.

(5) By December 31, 2017, the commission must report to the appropriate committees of the legislature with regard to the use of any incentives allowed under this section, the quantifiable impacts of the incentives on actual electric vehicle deployment, and any recommendations to the legislature about utility participation in the electric vehicle market.

**PART IV**

**MISCELLANEOUS PROVISIONS**

NEW SECTION. **Sec.**  The provisions of RCW 82.32.805(1)(a) do not apply to part II of this act.

NEW SECTION. **Sec.**  Part I and II of this act are necessary for the immediate preservation of the public peace, health, or safety, or support of the state government and its existing public institutions, and take effect immediately.

NEW SECTION. **Sec.**  Part III of this act is necessary for the immediate preservation of the public peace, health, or safety, or support of the state government and its existing public institutions, and takes effect July 1, 2019.

**--- END ---**