

# HOUSE BILL REPORT

## SHB 2566

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**As Reported by House Committee On:**  
Agriculture & Ecology

**Title:** An act relating to providing incentives to reduce air pollution through the use of clean alternative fuel vehicles.

**Brief Description:** Providing incentives to reduce air pollution through the use of clean alternative fuel vehicles.

**Sponsors:** Representatives Linville, Pflug, Cooper, Barlean, Roach, Berkey, Wood, Reardon, Hunt, Delvin, Sullivan, Lysen, Anderson, Morris, Crouse, Upthegrove, Miloscia, Morell, Chase, Rockefeller, Simpson, Darneille, Conway, McIntire, Santos and Edwards.

**Brief History:**

**Committee Activity:**

Agriculture & Ecology: 1/29/02, 2/1/02 [DPS].

**Brief Summary of Substitute Bill**

- Provides business and occupation tax credits for individuals purchasing or leasing clean alternative fuel vehicles, providing financial assistance for certain public entities to purchase or lease clean alternative fuel vehicles, and for acquiring and installing alternative fuel and electric recharging equipment.

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### HOUSE COMMITTEE ON AGRICULTURE & ECOLOGY

**Majority Report:** The substitute bill be substituted therefor and the substitute bill do pass. Signed by 9 members: Representatives Linville, Chair; Hunt, Vice Chair; Cooper, Delvin, Dunshee, Grant, Kirby, Quall and Roach.

**Minority Report:** Do not pass. Signed by 4 members: Representatives Schoesler, Ranking Minority Member; Chandler, Holmquist and Sump.

**Staff:** Jason Callahan (786-7117).

**Background:**

Alternate fuel vehicles operate with fuels other than petroleum-based gasoline and diesel. The United States Department of Energy recognizes eight categories of alternative fuels: methanol, denatured ethanol, natural gas, liquified petroleum gas (propane), hydrogen, coal-delivered liquid fuels, fuels derived from biological materials (biodiesel), and electricity. Each of these alternative fuels results in a reduction of ozone-forming tailpipe emissions. The U.S. Department of Energy's Alternative Fuel Data Center reports that in 2001 seven automobile manufacturers combined to offer for sale in the United States 38 vehicle models that are capable of running on alternative fuels. These models include compact cars, sedans, vans, sports utility vehicles, and pickup trucks. The same source reports that currently the state of Washington has 122 registered alternative vehicle refueling sites, more than 38 other U.S. states.

In order to encourage the use of nonpolluting fuels, Washington provides an exemption from the special fuel tax for vehicles using cleaner burning fuels, such as natural gas or propane. Instead of charging a tax at the refueling center, Washington requires the owners of natural gas-powered vehicles to purchase a decal from the Department of Licensing. The fee for the decal is determined by a statutorily set schedule, multiplied by the motor vehicle fuels tax rate in cents per gallon and divided by twelve cents. This formula results in fees ranging from \$86.25 to \$479.16 depending on the weight of the vehicle. Dealers selling natural gas are not allowed to dispense the fuel into vehicles not bearing a current annual decal.

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**Summary of Substitute Bill:**

A "clean alternative fuel vehicle" is defined to include a vehicle that: 1) operates solely on alternative fuels; 2) are a hybrid vehicle weighing less than 10,000 pounds that is powered by an electric and fuel-powered motor that receives at least 40 miles per gallon; 3) are a hybrid vehicle weighing more than 10,000 pounds that receives at least 40 percent of its maximum available power from alternative fuels; 4) and a fuel cell vehicle. Vehicles less than 12,000 gross pounds must also meet or exceed federal requirements for ultra-low emission vehicles. "Alternative fuel" is defined as natural gas, propane, hydrogen, and electricity.

Persons taxable under the business and occupation tax may take a credit for the purchase or lease of a clean alternative fuel vehicle if the vehicle is used exclusively for business operations. The amount credited is determined by the vehicle tonnage. Individuals purchasing vehicles weighing less than 12,000 pounds may be credited for the lesser of 25 percent of the base cost of the vehicle or \$5,000. Individuals purchasing vehicles weighing more than 12,000 pounds may be credited for the lesser of 25 percent of the base cost of the vehicle or \$20,000.

Business and occupation tax credits are available for individuals providing financial

assistance to school districts, transit agencies and local governments for the purchase or lease of clean alternative fuel vehicles. Likewise, credits are available for persons expending costs for acquiring and installing alternative fuel and electric vehicle recharging equipment. The lesser of 50 percent of the costs or \$200,000 is creditable if the facility invested in is open to the public, and 25 percent of the costs or \$100,000 is creditable if the facility invested in is not open to the public.

Credits may not exceed the amount of the tax and may not be claimed for expenditures occurring before the effective date of the act. This provision for hybrid vehicles expires in 2004, and credits under the remainder of the act are not effective after 2010.

The Washington State energy program is directed to work with appropriate stakeholders to evaluate the effectiveness of the tax incentives in improving air quality and increasing the use of clean fuel vehicles. These findings are to be reported to the Legislature biennially starting in 2005.

**Substitute Bill Compared to Original Bill:**

SHB 2566 includes hybrid vehicles weighing more than 10,000 pounds that receives at least 40 percent of its maximum available power from alternative fuels in the definition of clean alternative fuel vehicle.– The substitute also alters the intent section and specifies that vehicles weighting exactly 12,000 pounds will receive the same tax credit as vehicles weighing over 12,000 pounds.

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**Appropriation:** None.

**Fiscal Note:** Requested on January 21, 2002.

**Effective Date of Substitute Bill:** Ninety days after adjournment of session in which bill is passed.

**Testimony For:** Clean vehicle systems are proven technologies and are an important component of transportation's future. Alternative fuel vehicles do tend to cost a little more than a standard vehicle and the infrastructure to support them is not fully developed, so incentives are important to encourage the use of these vehicles. This bill provides short-term incentives to assist the growth of this transportation sector in the short term. The state should not wait for federal leadership in this arena, because it may never come.

Motor vehicles are the single largest source of air pollution and oil consumption. Alternative fuel vehicles make a tremendous impact on air pollution and oil consumption, lowering both measurably. Reducing pollution and oil consumption protects the public health and the environment. This bill will maintain Washington's status as a leader in air

quality issues.

Transit options are not always available for people and businesses concerned with air quality issues. This bill will help these individuals and businesses pursue non-transit environmentally-friendly options.

**Testimony Against:** This bill does not allow citizens to take advantage of new clean diesel technologies. The definition of alternative fuel should use a performance standards for the fuel and not a list of currently available technologies. The fossil fuels of today are cleaner than the fuels of yesterday, and the fuels of tomorrow will be cleaner still. The definition as included in this bill will not allow consumers to take advantage of these cleaner fuels.

**Testified:** (In support) Nick Federici, American Lung Association; Linda Graham, Puget Sound Clean Cities Coalition; Ray Schindler, PNW Propane Gas Associations; David Syoding, Washington State University Energy Program; Donna Ewing, League of Women Voter of Washington; Toni Potter, Seattle Audubon Society; Dan Riley, Washington States Petroleum Association; and Bill LaBorde, Transportation Choices Coalition.