

FINAL BILL REPORT

2SSB 5916

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Synopsis as Enacted

Brief Description: Exempting clean alternative fuel vehicles from sales and use tax.

Sponsors: Senate Committee on Ways & Means (originally sponsored by Senators Schmidt, Esser, Finkbeiner and Benson).

Senate Committee on Water, Energy & Environment

Senate Committee on Ways & Means

House Committee on Finance

Background: Any number of alternative energy sources are used to power motor vehicles, including hydrogen, electricity, natural gas, and propane. These fuels are sometimes called "clean fuels" because they emit less hydrocarbons, and the hydrocarbons they do emit are less toxic and less likely to form ozone.

The 2005 Legislature adopted the California motor vehicle emission standards, excluding zero emission vehicle program regulations, in effect on January 1, 2005. Under ESHB 1397 (2005), the California vehicle emission standards will only be effective for those model years for which Oregon has adopted the California standards.

Sales tax is imposed on retail sales of most items of tangible personal property and some services. The use tax is imposed on the same privilege of using tangible personal property or services in instances where the sales tax does not apply. Sales and use taxes are levied by the state, counties, and cities, and total rates vary from 7 to 8.9 percent. An additional 0.3 percent applies to the sale or lease of motor vehicles.

The state also imposes a tax on the use of an item in this state when the acquisition of the item has not been subject to the sales tax. The use tax rate is equal to the retail sales tax rate multiplied by the market value of the item used.

Summary: Tax exemptions are created for new motor vehicles that use clean alternative fuels. The following activities are exempt from the sales and use tax:

- Selling or using new cars and trucks. The sale or use of new passenger cars, light duty trucks, and medium duty passenger vehicles, which are exclusively powered by a clean alternative fuel.
- Selling or using new hybrid cars and trucks. The sale or use of new passenger cars, light duty trucks, and medium duty passenger vehicles, which utilize hybrid technology and have a United States Environmental Protection Agency estimated highway gasoline mileage rating of at least forty miles per gallon.

"Clean alternative fuel" means natural gas, propane, hydrogen, or electricity, when used as fuel in a motor vehicle that meets the California motor vehicle emission standards in Title 13 of the California code of regulations, effective January 1, 2005, and the rules of the

Washington State Department of Ecology. "Hybrid technology" means propulsion units powered by both electricity and gasoline.

The bill takes effect on January 1, 2009, and expires on January 1, 2011.

Votes on Final Passage:

Senate	44	2	
House	71	24	(House amended)
Senate	44	1	(Senate concurred)

Effective: January 1, 2009