

SENATE BILL REPORT

ESHB 2778

As of February 25, 2016

Title: An act relating to retail sales and use tax exemption criteria for certain clean alternative fuel vehicles.

Brief Description: Modifying retail sales and use tax exemption criteria for certain clean alternative fuel vehicles.

Sponsors: House Committee on Transportation (originally sponsored by Representatives Fey, Orcutt, Clibborn, McBride, Moscoso, Hickel, Stambaugh, Bergquist, Tharinger and Tarleton).

Brief History: Passed House: 2/16/16, 65-32.

Committee Activity: Transportation: 2/24/16.

SENATE COMMITTEE ON TRANSPORTATION

Staff: Kellee Keegan (786-7429)

Background: Tax Exemption - Sales. As of July 15, 2015, a retail sales and use tax exemption is provided for new passenger cars, light duty trucks, and medium duty passenger vehicles that: (1) have a selling price plus trade-in property value or that have a fair market value of \$35,000 or less; and (2) are either exclusively powered by a clean alternative fuel or use at least one method of propulsion that is capable of being reenergized by an external source of electricity and are capable of traveling at least 30 miles using only battery power. Typical applications of this exemption are for electric vehicles and plug-in hybrid vehicles. This exemption expires July 1, 2019.

Tax Exemption - Leases. Leases with lease agreements that were signed before July 1, 2015, and since 2005, on vehicles powered by a clean alternative fuel are eligible for a tax exemption for the full selling price or fair market value of the vehicle.

Account Transfer. At the end of each quarter, the State Treasurer must transfer from the Multimodal Transportation Account to the General Fund the amount that would otherwise have been deposited into the General Fund if not for this tax exemption.

Summary of Bill: The retail sales and use tax exemption is modified for certain clean alternative fuel and electrically powered vehicles by: (1) increasing the tax exemption

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threshold to a \$38,500 adjusted selling price or adjusted fair market value; and (2) increasing the tax exemption threshold to a \$42,500 adjusted selling price or adjusted fair market value when (a) the vehicle's battery has an energy capacity of 30 kilowatt hours or greater or (b) the vehicle's driving range using only battery power is 100 miles or greater. However, tax exemption eligibility is capped at \$35,000 per eligible vehicle.

An inflation adjustment factor raises the exemption threshold by \$500 at the start of each calendar year beginning in 2017.

The complete retail sales and use tax exemption for lease agreements for applicable vehicles signed prior to July 1, 2015, remains in place. Lease agreements for applicable vehicles signed on or after July 15, 2015, and before July 1, 2016, are eligible for the exemption in place at the time the lease agreement was signed, *i.e.*, are only eligible for an exemption if they have an adjusted fair market value of \$35,000 or less.

Appropriation: None.

Fiscal Note: Available.

Committee/Commission/Task Force Created: No.

Effective Date: The bill takes effect on July 1, 2016.

Staff Summary of Public Testimony: PRO: This bill targets vehicles with a price point that would entice consumers to buy an alternative fuel vehicle instead of a gasoline vehicle. An inflation vehicle is included. There weren't a lot of vehicles included in last year's bill that provided these tax credits. Electric vehicles emit less pollution. There is an added cost to cars with the longer battery range. This bill came out of the study that says a \$35,000 EV car becomes a \$25,000 gasoline-use vehicle when people are looking to purchase a car. The intent is to help make this technology ubiquitous to consumers. This bill is a good step in the right direction. Many new models are coming into Washington at the right price point. The legislature should encourage long range cars. This bill isn't perfect, but appreciated. This bill serves a number of useful goals most importantly environmental. This helps the state meet its emission goals. This bill has flexibility to include two different models of alternative-fuel vehicles.

CON: There will be a \$3000 penalty now, with the passage of this bill, for purchasers of the Tesla model 3. This bill excludes Tesla vehicles, and excludes future versions of other electric vehicles. This bill picks winners and losers. This penalizes leaders in the EV industry that have come up with the long-range EV battery. This bill is too complicated and should be simplified. By putting a soft-cap up to \$35,000 price of the vehicle, regardless of the cost, will make this accommodate everyone.

Persons Testifying: PRO: Representative Jake Fey, sponsor; Representative Ed Orcutt, co-sponsor; Michael Mann, Nissan of North America; JJ McCoy, Seattle Electric Vehicle Association; Chad Schwitters, Plug In America; Vlad Gutman, Climate Solutions; Becky Bogard, General Motors.

CON: Daniel Witt, Roman Daniels-Brown, Tesla.

OTHER: Dwight Bickel.

Persons Signed In To Testify But Not Testifying: No one.