
HOUSE BILL 1664

State of Washington

66th Legislature

2019 Regular Session

By Representatives Slatter and Doglio; by request of Office of the Governor

Read first time 01/28/19. Referred to Committee on Environment & Energy.

1 AN ACT Relating to advancing electric transportation; amending
2 RCW 46.17.323, 70.120A.010, 35.92.355, and 80.28.360; adding a new
3 section to chapter 82.08 RCW; adding a new section to chapter 82.12
4 RCW; adding a new section to chapter 46.17 RCW; adding a new section
5 to chapter 70.120A RCW; adding a new section to chapter 35.92 RCW;
6 adding a new section to chapter 80.28 RCW; creating new sections;
7 providing an effective date; providing contingent expiration dates;
8 and declaring an emergency.

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

10 **Part I**

11 **ELECTRIC VEHICLE SALES TAX INCENTIVE**

12 NEW SECTION. **Sec. 101.** (1) This section is the tax preference
13 performance statement for the tax preferences contained in sections
14 102 and 103, chapter . . ., Laws of 2019 (sections 102 and 103 of
15 this act). This performance statement is only intended to be used for
16 subsequent evaluation of the tax preference. It is not intended to
17 create a private right of action by any party or to be used to
18 determine eligibility for preferential tax treatment.

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

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

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

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

14 NEW SECTION. **Sec. 102.** A new section is added to chapter 82.08
15 RCW to read as follows:

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

18 (a) The tax levied by RCW 82.08.020 does not apply as provided in
19 (b) of this subsection to sales or leases of new or used passenger
20 cars, light duty trucks, and medium duty passenger vehicles that:

21 (i) Are exclusively powered by an electric battery; and

22 (ii)(A) Have at the time of sale a lowest manufacturer's
23 suggested retail price of forty-five thousand dollars or less, as
24 determined by the department of licensing, for the base model; or

25 (B) Have at the inception of the lease a lowest manufacturer's
26 suggested retail price of forty-five thousand dollars or less, as
27 determined by the department of licensing, for the base model.

28 (b)(i) Except as provided otherwise in (b)(ii) of this
29 subsection, the exemption in this section is applicable for up to one
30 thousand dollars of:

31 (A) The total amount of the vehicle's selling price, for sales
32 made; or

33 (B) The total lease payments made plus any additional selling
34 price of the leased vehicle, if the original lessee purchases the
35 leased vehicle before the qualification period end date, for lease
36 agreements signed.

37 (ii) If the tax on any vehicle that meets the criteria of (a) of
38 this subsection is less than one thousand dollars, all of the tax
39 levied by RCW 82.08.020 is exempt.

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

3 (3) The department of licensing must maintain and publish a list
4 of all vehicle models qualifying for the sales tax exemption under
5 this section until the expiration date of this section.

6 (4) On the last day of January, April, July, and October of each
7 year, the state treasurer, based upon information provided by the
8 department, must transfer from the electric vehicle account created
9 in section 104 of this act to the general fund a sum equal to the
10 dollar amount that would otherwise have been deposited into the
11 general fund during the prior calendar quarter but for the exemption
12 provided in this section. Information provided by the department to
13 the state treasurer must be based on the best available data, except
14 that the department may provide estimates of taxes exempted under
15 this section until such time as retailers are able to report such
16 exempted amounts on their tax returns.

17 (5) (a) By the end of the fifth working day of each month, until
18 this section expires, the department of licensing must determine the
19 cumulative number of vehicles that qualify for the exemption under
20 this section titled on or after the qualification period start date,
21 and provide notice of the cumulative number of these vehicles to the
22 department.

23 (b) The department of licensing must notify the department once
24 the cumulative number of vehicles that qualify for the exemption
25 under this section titled in the state on or after the qualification
26 period start date, equals or exceeds ten percent of all passenger
27 cars, light duty trucks, and medium duty passenger vehicles titled in
28 the state.

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

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

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

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

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

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

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

12 (c) "Qualification period start date" means sixty days after the
13 effective date of this section.

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

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

22 (b) All leased vehicles that qualified for the exemption under
23 this section before the qualification period end date must continue
24 to receive the exemption as described under subsection (1)(b) of this
25 section on any lease payments due through the remainder of the lease
26 before the expiration date of this section.

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

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

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

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

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

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

11 NEW SECTION. **Sec. 103.** A new section is added to chapter 82.12
12 RCW to read as follows:

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

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

18 (i) Are exclusively powered by an electric battery; and

19 (ii)(A) Have at the time of sale a lowest manufacturer's
20 suggested retail price of forty-five thousand dollars or less, as
21 determined by the department of licensing, for the base model; or

22 (B) Have at the inception of the lease a lowest manufacturer's
23 suggested retail price of forty-five thousand dollars or less, as
24 determined by the department of licensing, for the base model.

25 (b)(i) Except as provided otherwise in (b)(ii) of this
26 subsection, the exemption in this section is applicable for up to one
27 thousand dollars of:

28 (A) The total amount of the vehicle's purchase price, for sales
29 made; or

30 (B) The total lease payments made plus any additional purchase
31 price of the leased vehicle if the original lessee purchases the
32 leased vehicle before the qualification period end date, for lease
33 agreements signed.

34 (ii) If the tax on any vehicle that meets the criteria of (a) of
35 this subsection is less than one thousand dollars, all of the tax
36 levied under this chapter is exempt.

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

1 (3) On the last day of January, April, July, and October of each
2 year, the state treasurer, based upon information provided by the
3 department, must transfer from the electric vehicle account created
4 in section 104 of this act to the general fund a sum equal to the
5 dollar amount that would otherwise have been deposited into the
6 general fund during the prior calendar quarter but for the exemption
7 provided in this section. Information provided by the department to
8 the state treasurer must be based on the best available data.

9 (4) (a) Vehicles purchased or leased vehicles for which the lease
10 agreement was signed after the qualification period end date do not
11 qualify for the exemption under this section.

12 (b) All leased vehicles that qualified for the exemption under
13 this section before the qualification period end date must continue
14 to receive the exemption as described under subsection (1) (b) of this
15 section on any lease payments due through the remainder of the lease
16 before the expiration date of this section.

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

19 (6) (a) When the department of licensing determines under section
20 102(5)(b) of this act that the cumulative number of vehicles that
21 qualify for the exemption under this section titled in the state on
22 or after the qualification period start date equals or exceeds ten
23 percent of all passenger cars, light duty trucks, and medium duty
24 passenger vehicles titled in the state, this section expires four
25 years from the qualification period end date.

26 (b) The department must provide:

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

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

35 NEW SECTION. **Sec. 104.** A new section is added to chapter 46.17
36 RCW to read as follows:

37 The electric vehicle account is created in the custody of the
38 state treasurer. All receipts from electric vehicle registration
39 renewal fees collected under RCW 46.17.323 must be deposited into the

1 account. Expenditures from the account may be used for electric
2 vehicle purchase and lease incentives, electric vehicle support
3 equipment incentives including the electric vehicle infrastructure
4 bank, electric vehicle awareness and education programs, and state
5 road operations, maintenance, and preservation. The state treasurer
6 must transfer funds from the account as provided in sections 102 and
7 103 of this act. An appropriation is not required for expenditures.

8 **Sec. 105.** RCW 46.17.323 and 2015 3rd sp.s. c 44 s 203 are each
9 amended to read as follows:

10 (1) Before accepting an application for an annual vehicle
11 registration renewal for a vehicle that both (a) uses at least one
12 method of propulsion that is capable of being reenergized by an
13 external source of electricity and (b) is capable of traveling at
14 least thirty miles using only battery power, the department, county
15 auditor or other agent, or subagent appointed by the director must
16 require the applicant to pay a one hundred dollar fee in addition to
17 any other fees and taxes required by law. The one hundred dollar fee
18 is due only at the time of annual registration renewal.

19 (2) This section only applies to a vehicle that is designed to
20 have the capability to drive at a speed of more than thirty-five
21 miles per hour.

22 (3) ~~((a))~~ The fee under this section ~~((is imposed to provide~~
23 ~~funds to mitigate the impact of vehicles on state roads and highways~~
24 ~~and for the purpose of evaluating the feasibility of transitioning~~
25 ~~from a revenue collection system based on fuel taxes to a road user~~
26 ~~assessment system, and))~~ is separate and distinct from other vehicle
27 license fees. Proceeds from the fee must be ~~((used for highway~~
28 ~~purposes, and must be deposited in the motor vehicle fund created in~~
29 ~~RCW 46.68.070, subject to (b) of this subsection.~~

30 ~~(b) If in any year the amount of proceeds from the fee collected~~
31 ~~under this section exceeds one million dollars, the excess amount~~
32 ~~over one million dollars must be deposited as follows:~~

33 ~~(i) Seventy percent to the motor vehicle fund created in RCW~~
34 ~~46.68.070;~~

35 ~~(ii) Fifteen percent to the transportation improvement account~~
36 ~~created in RCW 47.26.084; and~~

37 ~~(iii) Fifteen percent to the rural arterial trust account created~~
38 ~~in RCW 36.79.020)) deposited in the electric vehicle account created~~
39 in section 104 of this act.

1 (4) (a) In addition to the fee established in subsection (1) of
2 this section, before accepting an application for an annual vehicle
3 registration renewal for a vehicle that both (i) uses at least one
4 method of propulsion that is capable of being reenergized by an
5 external source of electricity and (ii) is capable of traveling at
6 least thirty miles using only battery power, the department, county
7 auditor or other agent, or subagent appointed by the director must
8 require the applicant to pay a fifty dollar fee.

9 (b) ~~((The fee required under (a) of this subsection must be
10 distributed as follows:~~

11 ~~(i) The first one million dollars raised by the fee must be
12 deposited into the multimodal transportation account created in RCW
13 47.66.070; and~~

14 ~~(ii) Any remaining amounts must be deposited into the motor
15 vehicle fund created in RCW 46.68.070.~~

16 ~~(5) This section applies to annual vehicle registration renewals
17 until the effective date of enacted legislation that imposes a
18 vehicle miles traveled fee or tax)) All of the proceeds of the fee
19 collected under (a) of this subsection must be deposited into the
20 electric vehicle account created in section 104 of this act.~~

21 Part II

22 ELECTRIC ZERO EMISSION VEHICLE PROGRAM

23 **Sec. 201.** RCW 70.120A.010 and 2010 c 76 s 1 are each amended to
24 read as follows:

25 (1) Pursuant to the federal clean air act, the legislature adopts
26 the California motor vehicle emission standards in Title 13 of the
27 California Code of Regulations, effective January 1, 2005, except as
28 provided in this chapter. The department of ecology ~~((shall))~~ must
29 adopt rules to implement the emission standards of the state of
30 California for passenger cars, light duty trucks, and medium duty
31 ~~((passenger))~~ vehicles, and ~~((shall))~~ must amend the rules from time
32 to time, to maintain consistency with the California motor vehicle
33 emission standards and 42 U.S.C. Sec. 7507 (section 177 of the
34 federal clean air act). ~~((Notwithstanding other provisions of this
35 chapter, the department of ecology shall not adopt the zero emission
36 vehicle program regulations contained in Title 13 section 1962 of the
37 California Code of Regulations effective January 1, 2005. During rule
38 development, the department of ecology shall convene an advisory~~

1 ~~group composed of industry and consumer group representatives. Any~~
2 ~~proposed rules or changes to rules shall be subject to review and~~
3 ~~comment by the advisory group, prior to rule adoption. The order of~~
4 ~~adoption for the rules required in this section shall include the~~
5 ~~signature of the governor.))~~ The rules ((shall be)) are effective
6 only for those model years for which the state of Oregon has adopted
7 the California motor vehicle emission standards. This section does
8 not limit the department of ecology's authority to regulate motor
9 vehicle emissions for any other class of vehicle.

10 (2) Motor vehicles with a model year equal to or later than the
11 first model year for which new vehicles sold to Washington state
12 residents are required to comply with California motor vehicle
13 emission standards are exempt from emission inspections under chapter
14 70.120 RCW.

15 (3) The provisions of this chapter do not apply with respect to
16 the use by a resident of this state of a motor vehicle acquired and
17 used while the resident is a member of the armed services and is
18 stationed outside this state pursuant to military orders.

19 NEW SECTION. **Sec. 202.** A new section is added to chapter
20 70.120A RCW to read as follows:

21 The department of ecology must adopt the zero emission vehicle
22 program regulations contained in Title 13, section 1962, 1962.1, and
23 1962.2 of the California Code of Regulations effective July 1, 2018,
24 and must amend the rules from time to time, to maintain consistency
25 with the California motor vehicle emission standards and 42 U.S.C.
26 Sec. 7507 (section 177 of the federal clean air act).

27 **Part III**

28 **ELECTRIFICATION OF TRANSPORTATION INFRASTRUCTURE**

29 NEW SECTION. **Sec. 301.** The legislature finds that programs for
30 electrification of transportation have the potential to allow
31 electric utilities to optimize the use of electric grid
32 infrastructure, improve the management of electric loads, and better
33 manage the integration of variable renewable energy and energy
34 storage resources. Transportation electrification programs can
35 provide cost-effective energy efficiency through energy savings, more
36 efficient use of energy resources, and more efficient use of electric
37 distribution system resources and infrastructure. This cost-effective

1 energy efficiency results in cost savings and benefits for all
2 ratepayers. Additional potential benefits associated with
3 transportation electrification include the environmental attributes
4 associated with carbon reduction in the transportation sector.

5 The legislature further finds that the transportation sector is
6 Washington's largest contributor to greenhouse gas emissions and
7 hazardous air pollutants, as defined by federal national ambient air
8 quality standards and mobile source air toxics rules, and that state
9 policy can achieve the greatest return on investment in reducing
10 greenhouse gas emissions and improving air quality by expediting the
11 transition to alternative fuel vehicles and equipment, including
12 electric vehicles and equipment.

13 The legislature finds that as with traditional energy
14 conservation programs that provide financing for more efficient use
15 of energy in existing buildings and structures, programs that
16 directly provide for electrification of transportation or that
17 provide financing of such electrification have the potential to
18 enable utilities and their customers to achieve more efficient use of
19 energy resources and electric distribution system infrastructure.

20 **Sec. 302.** RCW 35.92.355 and 1993 c 204 s 5 are each amended to
21 read as follows:

22 (1) The conservation of energy in all forms and by every possible
23 means is found and declared to be a public purpose of highest
24 priority. The legislature further finds and declares that all
25 municipal corporations, quasi_municipal corporations, and other
26 political subdivisions of the state which are engaged in the
27 generation, sale, or distribution of energy should be granted the
28 authority to develop and carry out programs which will conserve
29 resources, reduce waste, and encourage more efficient use of energy
30 and energy infrastructure by consumers and utilities.

31 (2) In order to establish the most effective statewide program
32 for energy conservation and energy infrastructure efficiency, the
33 legislature hereby encourages and authorizes any company,
34 corporation, or association engaged in selling or furnishing utility
35 services to assist their customers in the acquisition and
36 installation of materials and equipment, for compensation or
37 otherwise, for the conservation ((~~or~~)) and more efficient use of
38 energy and energy infrastructure, including electric vehicle supply

1 equipment. The use of appropriate tree plantings for energy
2 conservation is encouraged as part of these programs.

3 (3) The legislature finds that utilities that are traditionally
4 responsible for providing electric service to customers, and for
5 understanding and engineering the electrical grid for safety and
6 reliability, must be engaged in the electrification of the
7 transportation system. The legislature further finds that it has
8 given utilities other policy authority to promote energy conservation
9 activities, which do not make the benefits of building out electric
10 vehicle supply equipment, as well as any subsequent increase in
11 energy consumption, readily apparent. Therefore, it is the intent of
12 the legislature to provide clear authority for utilities to engage in
13 and promote the build out of electric vehicle infrastructure.

14 NEW SECTION. Sec. 303. A new section is added to chapter 35.92
15 RCW to read as follows:

16 Any city or town engaged in the generation, sale, or distribution
17 of energy and that has four hundred thousand or more customers may,
18 within limits established by the Constitution of the state of
19 Washington:

20 (1) Assist its customers in financing the acquisition and
21 installation of materials and equipment, for compensation or
22 otherwise, for the electrification of transportation; and

23 (2) Offer programs, services, or investments in the
24 electrification of transportation for its customers in such a way as
25 to benefit ratepayers, pursuant to an electrification of
26 transportation plan adopted by the governing body of the city or
27 town.

28 NEW SECTION. Sec. 304. A new section is added to chapter 80.28
29 RCW to read as follows:

30 (1) An electric utility regulated by the commission under this
31 chapter may submit to the commission an electrification of
32 transportation plan that deploys electric vehicle supply equipment or
33 provides other electric transportation programs, services, or
34 incentives to support electrification of transportation, provided
35 that such electric vehicle supply equipment, programs, or services
36 may not increase costs to customers in excess of one-quarter of one
37 percent above the benefits of electric transportation to all

1 customers over a period consistent with the utility's planning
2 horizon under its most recent integrated resource plan.

3 (2) (a) In reviewing an electrification of transportation plan
4 under subsection (1) of this section, the commission must consider
5 the following:

6 (i) The applicability of multiple options for electrification of
7 transportation across all customer classes;

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

12 (iii) System reliability and distribution system efficiencies;

13 (iv) Interoperability concerns, including the interoperability of
14 hardware and software systems in electrification of transportation
15 proposals;

16 (v) The benefits and costs of the plan actions; and

17 (vi) The overall customer experience.

18 (b) The commission must issue an acknowledgment of an
19 electrification plan within four months of the submittal of the plan.
20 The commission must establish by rule the requirements for
21 preparation and submission of an electrification of transportation
22 plan.

23 **Sec. 305.** RCW 80.28.360 and 2015 c 220 s 2 are each amended to
24 read as follows:

25 (1) In establishing rates for each electrical company regulated
26 under this title, the commission may allow an incentive rate of
27 return on investment on capital expenditures for electric vehicle
28 supply equipment that is deployed (~~for the benefit of ratepayers~~)
29 consistent with an electrification of transportation plan submitted
30 by a utility, provided that the capital expenditures do not increase
31 costs to ratepayers in excess of one-quarter of one percent. The
32 commission must consider and may adopt other policies to improve
33 access to and promote fair competition in the provision of electric
34 vehicle supply equipment.

35 (2) An incentive rate of return on investment under this section
36 may be allowed only if the company chooses to pursue capital
37 investment in electric vehicle supply equipment on a fully regulated
38 basis similar to other capital investments behind a customer's meter.
39 In the case of an incentive rate of return on investment allowed

1 under this section, an increment of up to two percent must be added
2 to the rate of return on common equity allowed on the company's other
3 investments.

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

11 (4) The incentive rate of return on investment increment pursuant
12 to this section may be earned only for a period up to the depreciable
13 life of the electric vehicle supply equipment as defined in the
14 depreciation schedules developed by the company and submitted to the
15 commission for review. When the capital investment has fully
16 depreciated, an electrical company may gift the electric vehicle
17 supply equipment to the owner of the property on which it is located.
18 The incentive rate of return expires December 31, 2030.

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

25 **Part IV**

26 **MISCELLANEOUS PROVISIONS**

27 NEW SECTION. **Sec. 401.** Part I of this act is necessary for the
28 immediate preservation of the public peace, health, or safety, or
29 support of the state government and its existing public institutions,
30 and takes effect immediately.

31 NEW SECTION. **Sec. 402.** Parts II and III of this act are
32 necessary for the immediate preservation of the public peace, health,
33 or safety, or support of the state government and its existing public
34 institutions, and take effect July 1, 2019.

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