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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)

READ FIRST TIME 03/07/19.

1 AN ACT Relating to advancing electric transportation; amending  
2 RCW 82.04.4496, 82.16.0496, and 80.28.360; adding a new section to  
3 chapter 82.08 RCW; adding a new section to chapter 82.12 RCW; adding  
4 a new section to chapter 35.92 RCW; adding a new section to chapter  
5 54.16 RCW; adding a new section to chapter 80.28 RCW; creating new  
6 sections; providing an effective date; providing contingent  
7 expiration dates; and declaring an emergency.

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

9 **PART I**

10 **ELECTRIC AND ALTERNATIVE FUEL PASSENGER**

11 **VEHICLE TAX INCENTIVES**

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, and any associated local  
19 sales taxes, do not apply as provided in (b) of this subsection to  
20 sales or leases of new or used passenger cars, light duty trucks, and  
21 medium duty passenger vehicles:

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

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

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

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

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

35 (B) The lease payments made by the lessee under the lease,  
36 including any extension of the lease. If the lessee purchases or re-  
37 leases the leased vehicle before the qualification period end date  
38 and has not used the full one thousand dollar exemption amount, the  
39 unused portion of the exemption amount may be applied to the state

1 and local sales tax due on the lessee's purchase or re-lease of the  
2 leased vehicle.

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

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

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

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

24 (4) Until the qualification period end date, on the last working  
25 day of January, April, July, and October of each year, beginning  
26 October 2019, the state treasurer, based upon information provided by  
27 the department, must transfer from the forward flexible account  
28 created in RCW 46.68.--- (section 802, chapter . . . (Senate Bill  
29 No.--- (S-1391/19)), Laws of 2019) to the general fund a sum equal to  
30 the dollar amount that would otherwise have been deposited into the  
31 general fund during the prior calendar quarter but for the exemption  
32 provided in this section. Information provided by the department to  
33 the state treasurer must be based on the best available data, except  
34 that the department may provide estimates of taxes exempted under  
35 this section until such time as retailers are able to report such  
36 exempted amounts on their tax returns.

37 (5) (a) By the end of the fifth working day of each month, until  
38 this section expires, the department of licensing must determine the  
39 cumulative number of vehicles that qualify for the exemption under  
40 this section and section 103 of this act, titled on or after the

1 qualification period start date, and provide notice of the cumulative  
2 number of these vehicles to the department. Based on this  
3 information, the department must estimate the dollar amount of all  
4 state retail sales and use taxes exempted on or after the  
5 qualification period start date, under this section and section 103  
6 of this act on a monthly basis.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

3 (3) Until the qualification period end date, on the last working  
4 day of January, April, July, and October of each year, beginning in  
5 October 2019, the state treasurer, based upon information provided by  
6 the department, must transfer from the forward flexible account  
7 created in RCW 46.68.--- (section 802, chapter . . . (Senate Bill  
8 No.--- (S-1391/19)), Laws of 2019) to the general fund a sum equal to  
9 the dollar amount that would otherwise have been deposited into the  
10 general fund during the prior calendar quarter but for the exemption  
11 provided in this section. Information provided by the department to  
12 the state treasurer must be based on the best available data.

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

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

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

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

33 (b) 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 **PART II**

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

6 NEW SECTION. **Sec. 201.** (1) This section is the tax preference  
7 performance statement for the tax preferences contained in part II of  
8 this act. The performance statement is only intended to be used for  
9 subsequent evaluation of the tax preference. It is not intended to  
10 create a private right of action by any party or be used to determine  
11 eligibility for preferential tax treatment.

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

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

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

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

25 **Sec. 202.** RCW 82.04.4496 and 2017 c 116 s 1 are each amended to  
26 read as follows:

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

Gross Vehicle Weight	Incremental Cost Amount	Maximum Credit Amount Per Vehicle	Maximum Annual Credit Per Vehicle Class
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1	Up to 14,000 pounds	<del>((50))</del> <u>75%</u> of incremental cost	\$25,000	<del>((2,000,000))</del> <u>\$13,333,333</u>
2				
3	14,001 to 26,500 pounds	<del>((50))</del> <u>75%</u> of incremental cost	\$50,000	<del>((2,000,000))</del> <u>\$13,333,333</u>
4				
5	Above 26,500 pounds	<del>((50))</del> <u>75%</u> of incremental cost	\$100,000	<del>((2,000,000))</del> <u>\$13,333,333</u>
6				

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

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

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

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

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

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

33 (5) Credits are available on a first-in-time basis. The  
34 department must disallow any credits, or portion thereof, that would  
35 cause the total amount of credits claimed under this section, and RCW  
36 82.16.0496, during any calendar year to exceed ~~((six))~~ forty million  
37 dollars. The department must provide notification on its web site  
38 monthly on the amount of credits that have been applied for, the  
39 amount issued, and the amount remaining before the statewide annual

1 limit is reached. In addition, the department must provide written  
2 notice to any person who has applied to claim tax credits in excess  
3 of the limitation in this subsection.

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

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

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

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

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

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

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

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

21 (v) The anticipated delivery date of the vehicle;

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

24 (vii) The gross weight of each vehicle;

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

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

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

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

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

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

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

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

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

3 (iii) The vehicle identification number of each vehicle;

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

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

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

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

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

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

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

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

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

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

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

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

38 (ii) Costs to modify a commercial vehicle, including sales of  
39 tangible personal property incorporated into the vehicle and labor or

1 service expenses incurred in modifying the vehicle, to be principally  
2 powered by a clean alternative fuel.

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

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

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

15 (b) On the last working day of March, June, September, and  
16 December of each year, the state treasurer, based upon information  
17 provided by the department, must transfer a sum equal to the dollar  
18 amount of the credit provided under this section from the multimodal  
19 transportation account to the general fund. However, if at any time  
20 the cumulative amount of credits claimed under this section and RCW  
21 82.16.0496 total more than thirty-three million dollars, then the  
22 state treasurer must cease making transfers under this subsection  
23 from the multimodal transportation account.

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

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

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

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

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

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

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

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

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

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

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

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

19 (16) Credits may be earned under this section from January 1,  
20 2016, through (~~January 1, 2021~~) one year before the expiration date  
21 of this section, except for credits for leased vehicles, which may be  
22 earned from July 1, 2016, through (~~January 1, 2021~~) one year before  
23 the expiration date of this section.

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

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

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

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

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

37 **Sec. 203.** RCW 82.16.0496 and 2017 c 116 s 2 are each amended to  
38 read as follows:

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

Gross Vehicle Weight	Incremental Cost Amount	Maximum Credit Amount Per Vehicle	Maximum Annual Credit Per Vehicle Class
Up to 14,000 pounds	((50)) 75% of incremental cost	\$25,000	(((\$2,000,000)) <u>\$13,333,333</u> )
14,001 to 26,500 pounds	((50)) 75% of incremental cost	\$50,000	(((\$2,000,000)) <u>\$13,333,333</u> )
Above 26,500 pounds	((50)) 75% of incremental cost	\$100,000	(((\$2,000,000)) <u>\$13,333,333</u> )

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

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

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

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

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

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

6 (5) Credits are available on a first-in-time basis. The  
7 department must disallow any credits, or portion thereof, that would  
8 cause the total amount of credits claimed under this section, and RCW  
9 82.04.4496, during any calendar year to exceed (~~six~~) forty million  
10 dollars. The department must provide notification on its web site  
11 monthly on the amount of credits that have been applied for, the  
12 amount issued, and the amount remaining before the statewide annual  
13 limit is reached. In addition, the department must provide written  
14 notice to any person who has applied to claim tax credits in excess  
15 of the limitation in this subsection.

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

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

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

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

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

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

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

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

33 (v) The anticipated delivery date of the vehicle;

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

36 (vii) The gross weight of each vehicle;

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

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

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

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

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

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

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

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

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

16 (iii) The vehicle identification number of each vehicle;

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

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

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

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

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

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

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

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



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

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

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

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

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

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

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

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

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

29 (b) On the last working day of March, June, September, and  
30 December of each year, the state treasurer, based upon information  
31 provided by the department, must transfer a sum equal to the dollar  
32 amount of the credit provided under this section from the multimodal  
33 transportation account to the general fund. However, if at any time  
34 the cumulative amount of credits claimed under this section and RCW  
35 82.04.4496 total more than thirty-three million dollars, then the  
36 state treasurer must cease making transfers under this subsection  
37 from the multimodal transportation account.

38 (16) Credits may be earned under this section from January 1,  
39 2016, through (~~January 1, 2021~~) one year before the expiration date  
40 of this section, except for credits for leased vehicles, which may be

1 earned from July 1, 2016, through (~~January 1, 2021~~) one year before  
2 the expiration date of this section.

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

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

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

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

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

### 16 PART III

#### 17 ELECTRIFICATION OF TRANSPORTATION INFRASTRUCTURE

18 NEW SECTION. **Sec. 301.** (1) The legislature finds that programs  
19 for electrification of transportation have the potential to allow  
20 electric utilities to optimize the use of electric grid  
21 infrastructure, improve the management of electric loads, and better  
22 manage the integration of variable renewable energy resources.  
23 Depending upon each utility's unique circumstances, electrification  
24 of transportation programs may provide cost-effective energy  
25 efficiency, through more efficient use of energy resources, and more  
26 efficient use of the electric delivery system. Electrification of  
27 transportation may result in cost savings and benefits for all  
28 ratepayers.

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

36 (3) Legislative clarity is important for utilities to offer  
37 programs and services, including incentives, in the electrification  
38 of transportation for their customers. It is the intent of the

1 legislature to achieve parity among all electric utilities, so each  
2 electric utility, depending on its unique circumstances, can  
3 determine its appropriate role in the development of electrification  
4 of transportation infrastructure.

5 NEW SECTION. **Sec. 302.** A new section is added to chapter 35.92  
6 RCW to read as follows:

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

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

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

30 NEW SECTION. **Sec. 303.** A new section is added to chapter 54.16  
31 RCW to read as follows:

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

37 (2) In adopting an electrification of transportation plan under  
38 subsection (1) of this section, the commission of a public utility

1 district may consider some or all of the following: (a) The  
2 applicability of multiple options for electrification of  
3 transportation across all customer classes; (b) the impact of  
4 electrification on the district's load, and whether demand response  
5 or other load management opportunities, including direct load control  
6 and dynamic pricing, are operationally appropriate; (c) system  
7 reliability and distribution system efficiencies; (d)  
8 interoperability concerns, including the interoperability of hardware  
9 and software systems in electrification of transportation proposals;  
10 and (e) overall customer experience.

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

16 NEW SECTION. **Sec. 304.** A new section is added to chapter 80.28  
17 RCW to read as follows:

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

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

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

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

37 (c) System reliability and distribution system efficiencies;

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

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

5 (f) The overall customer experience.

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

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

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

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

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

38 (4) The incentive rate of return on investment increment pursuant  
39 to this section may be earned only for a period up to the depreciable

1 life of the electric vehicle supply equipment as defined in the  
2 depreciation schedules developed by the company and submitted to the  
3 commission for review. When the capital investment has fully  
4 depreciated, an electrical company may gift the electric vehicle  
5 supply equipment to the owner of the property on which it is located.  
6 (5) By December 31, 2017, the commission must report to the  
7 appropriate committees of the legislature with regard to the use of  
8 any incentives allowed under this section, the quantifiable impacts  
9 of the incentives on actual electric vehicle deployment, and any  
10 recommendations to the legislature about utility participation in the  
11 electric vehicle market.

12  
13

**PART IV**  
**MISCELLANEOUS PROVISIONS**

14 NEW SECTION. **Sec. 401.** The provisions of RCW 82.32.805(1)(a) do  
15 not apply to part II of this act.

16 NEW SECTION. **Sec. 402.** Part I and II of this act are necessary  
17 for the immediate preservation of the public peace, health, or  
18 safety, or support of the state government and its existing public  
19 institutions, and take effect immediately.

20 NEW SECTION. **Sec. 403.** Part III of this act is necessary for  
21 the immediate preservation of the public peace, health, or safety, or  
22 support of the state government and its existing public institutions,  
23 and takes effect July 1, 2019.

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