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**SUBSTITUTE HOUSE BILL 2087**

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**State of Washington 64th Legislature 2015 Regular Session**

**By** House Transportation (originally sponsored by Representatives Fey and Muri)

AN ACT Relating to clean alternative fuel vehicles, including electric vehicles and electric vehicle charging infrastructure; amending RCW 82.08.809, 82.12.809, and 46.17.323; reenacting and amending RCW 43.84.092 and 43.84.092; adding a new section to chapter 47.04 RCW; adding a new section to chapter 82.44 RCW; creating new sections; providing effective dates; providing a contingent effective date; providing expiration dates; providing contingent expiration dates; and declaring an emergency.

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

NEW SECTION. **Sec.**  The legislature finds that electric vehicles are an important part of moving the state away from carbon-based fuel sources. The legislature further finds that as the number of electric vehicles in the state grows, charging infrastructure networks become more financially viable. Therefore, the legislature intends to incentivize the purchase of electric vehicles and to support early development of charging station networks in order to make positive impacts on the electric vehicle and charging station markets as quickly as possible.

NEW SECTION. **Sec.**  This section is the tax preference performance statement for the tax preferences contained in sections 3 and 4 of this act. The performance statement is only intended to be used for subsequent evaluation of the tax preference. It is not intended to create a private right of action by any party or be used to determine eligibility for preferential tax treatment.

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

(2) It is the legislature's specific public policy objective to increase the use of clean alternative fuel vehicles in Washington. It is the legislature's intent to extend the existing sales and use tax exemption on clean alternative fuel vehicles in order to reduce the price charged to customers for clean alternative fuel vehicles.

(3) To measure the effectiveness of the tax preferences in sections 3 and 4 of this act in achieving the public policy objectives described in subsection (2) of this section, the joint legislative audit and review committee must evaluate the number of clean alternative fuel vehicles registered in the state.

(4) In order to obtain the data necessary to perform the review in subsection (3) of this section, the department of licensing must provide data needed for the joint legislative audit and review committee analysis. In addition to the data source described under this subsection, the joint legislative audit and review committee may use any other data it deems necessary.

**Sec.**  RCW 82.08.809 and 2010 1st sp.s. c 11 s 2 are each amended to read as follows:

(1)(a) Except as provided in subsection (4) of this section, the tax levied by RCW 82.08.020 does not apply to sales of new passenger cars, light duty trucks, and medium duty passenger vehicles, which (i) are exclusively powered by a clean alternative fuel or (ii) 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 thirty miles using only battery power.

(b) Except as provided in subsection (4) of this section, the tax levied by RCW 82.08.020 does not apply to sales of qualifying used passenger cars, light duty trucks, and medium duty passenger vehicles((~~, which were modified after their initial purchase, with an EPA certified conversion to be exclusively powered by a clean alternative fuel~~)). "Qualifying used passenger cars, light duty trucks, and medium duty passenger vehicles" means vehicles that are:

(i) ((~~Are part of a fleet of at least five vehicles, all owned by the same person;~~

~~(ii) Have an odometer reading of less than thirty thousand miles;~~

~~(iii) Are less than two years past their original date of manufacture; and~~

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

~~(2) The seller must keep records necessary for the department to verify eligibility under this section~~)) 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 thirty miles using only battery power; and

(ii) Less than four years past their original date of manufacture.

(3) As used in this section, "clean alternative fuel" means natural gas, propane, hydrogen, or electricity, when used as a 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.

(4)(a) A sale is not exempt from sales tax as described under subsection (1) of this section if the selling price of the vehicle plus trade-in property of like kind exceeds thirty-five thousand dollars.

(b) For leased vehicles, a lease is not exempt from sales tax as described under subsection (1) of this section if the fair market value of the vehicle being leased exceeds thirty-five thousand dollars.

(5) This section expires July 1, ((~~2015~~)) 2019.

**Sec.**  RCW 82.12.809 and 2010 1st sp.s. c 11 s 3 are each amended to read as follows:

(1)(a) Except as provided in subsection (4) of this section, until July 1, ((~~2015~~)) 2019, the provisions of this chapter do not apply in respect to the use of new passenger cars, light duty trucks, and medium duty passenger vehicles, which (i) are exclusively powered by a clean alternative fuel or (ii) 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 thirty miles using only battery power.

(b) Except as provided in subsection (4) of this section, until July 1, ((~~2015~~)) 2019, the provisions of this chapter do not apply to the use of qualifying used passenger cars, light duty trucks, and medium duty passenger vehicles((~~, which were modified after their initial purchase with an EPA certified conversion to be exclusively powered by a clean alternative fuel~~)). As used in this subsection, "qualifying used passenger cars, light duty trucks, and medium duty passenger vehicles" has the same meaning as provided in RCW 82.08.809.

(2) "Clean alternative fuel" has the same meaning as provided in RCW 82.08.809.

(3) A taxpayer is not liable for the tax imposed in RCW 82.12.020 on the use, on or after July 1, ((~~2015~~)) 2019, of a passenger car, light duty truck, or medium duty passenger vehicle exclusively powered by a clean alternative fuel, if the taxpayer used such vehicle in this state before July 1, ((~~2015~~)) 2019, and the use was exempt under this section from the tax imposed in RCW 82.12.020.

(4) A vehicle is not exempt from use tax as described under subsection (1) of this section if the fair market value of the vehicle exceeds thirty-five thousand dollars at the time the tax is imposed.

NEW SECTION. **Sec.**  A new section is added to chapter 47.04 RCW to read as follows:

(1) The department's public-private partnership office must develop a pilot program to support the deployment of electric vehicle charging infrastructure that is supported by private financing.

(2) The department must define corridors in which bidders may propose to install electric vehicle charging infrastructure. Alternatively, a bidder may propose a corridor in which the bidder proposes to install electric vehicle infrastructure if the department has adopted rules allowing such a proposal and establishing guidelines for how such a proposal will be considered.

(3)(a) For bid proposals under this section, the department must require the following:

(i) Bidders must have private sector partners contributing to the project who stand to gain indirect value from development of the project, such as motor vehicle manufacturers, retail stores, or tourism stakeholders;

(ii) Bidders must demonstrate that the proposed project will be valuable to electric vehicle drivers and will address an existing gap in the state's electric vehicle charging station infrastructure;

(iii) Projects must be expected to be profitable and sustainable for the owner-operator and the private partner; and

(iv) Bidders must specify how the project captures the indirect value of charging station deployment to the private partner.

(b) The department may adopt rules that require any other criteria for a successful project.

(4) In evaluating proposals under this section, the department may use the electric vehicle financial analysis tool that was developed in the joint transportation committee's study into financing electric vehicle charging station infrastructure.

(5)(a) After selecting a successful proposer under this section, the department may provide a loan or grant to the proposer.

(b) Grants and loans issued under this subsection must be funded from the electric vehicle charging infrastructure account created in section 6 of this act.

(c) Any project selected for support under this section is eligible for only one grant or loan as a part of the pilot program.

(6) The department may conduct preliminary workshops with potential bidders and other potential private sector partners to determine the best method of designing the pilot program, discuss how to develop the partnerships among the private sector partners that may receive indirect value, and any other issues relating to the implementation of this section. The department should consider regional workshops to engage potential business partners from across the state.

(7) The department must adopt rules to implement this section.

NEW SECTION. **Sec.**  A new section is added to chapter 82.44 RCW to read as follows:

The electric vehicle charging infrastructure account is created in the transportation infrastructure account. Proceeds from the electric vehicle fee collected under RCW 46.17.323(4) and the principal and interest payments made on loans from the account must be deposited into the account. Expenditures from the account may be used only for the purposes specified in section 5 of this act. Moneys in the account may be spent only after appropriation.

**Sec.**  RCW 46.17.323 and 2012 c 74 s 10 are each amended to read as follows:

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

(2) This section only applies to:

(a) A vehicle that is designed to have the capability to drive at a speed of more than thirty‑five miles per hour; and

(b) An annual vehicle registration renewal that is due on or after February 1, 2013.

(3)(a) The fee under this section is imposed to provide funds to mitigate the impact of vehicles on state roads and highways and for the purpose of evaluating the feasibility of transitioning from a revenue collection system based on fuel taxes to a road user assessment system and a funding source to assist in the development of the electric vehicle charging infrastructure, and is separate and distinct from other vehicle license fees. Proceeds from the fee must be used for highway purposes, and must be deposited in the motor vehicle fund created in RCW 46.68.070, subject to (b) of this subsection.

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

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

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

(iii) Fifteen percent to the rural arterial trust account created in RCW 36.79.020.

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

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

(i) The first one hundred thousand dollars raised by the fee in each year must be deposited into the multimodal transportation account created in RCW 47.66.070 to repay the transfer made under section 8 of this act until a total of one million dollars is deposited into the multimodal transportation account; and

(ii) Any remaining amounts must be deposited into the electric vehicle charging infrastructure account created in section 6 of this act.

(c) This subsection (4) expires July 1, 2027.

NEW SECTION. **Sec.**  (1) By July 31, 2015, the state treasurer must transfer one million dollars from the multimodal transportation account created in RCW 47.66.070 to the electric vehicle charging infrastructure account created in section 6 of this act.

(2) This section expires July 1, 2027.

**Sec.**  RCW 43.84.092 and 2014 c 112 s 106, 2014 c 74 s 5, and 2014 c 32 s 6 are each reenacted and amended to read as follows:

(1) All earnings of investments of surplus balances in the state treasury shall be deposited to the treasury income account, which account is hereby established in the state treasury.

(2) The treasury income account shall be utilized to pay or receive funds associated with federal programs as required by the federal cash management improvement act of 1990. The treasury income account is subject in all respects to chapter 43.88 RCW, but no appropriation is required for refunds or allocations of interest earnings required by the cash management improvement act. Refunds of interest to the federal treasury required under the cash management improvement act fall under RCW 43.88.180 and shall not require appropriation. The office of financial management shall determine the amounts due to or from the federal government pursuant to the cash management improvement act. The office of financial management may direct transfers of funds between accounts as deemed necessary to implement the provisions of the cash management improvement act, and this subsection. Refunds or allocations shall occur prior to the distributions of earnings set forth in subsection (4) of this section.

(3) Except for the provisions of RCW 43.84.160, the treasury income account may be utilized for the payment of purchased banking services on behalf of treasury funds including, but not limited to, depository, safekeeping, and disbursement functions for the state treasury and affected state agencies. The treasury income account is subject in all respects to chapter 43.88 RCW, but no appropriation is required for payments to financial institutions. Payments shall occur prior to distribution of earnings set forth in subsection (4) of this section.

(4) Monthly, the state treasurer shall distribute the earnings credited to the treasury income account. The state treasurer shall credit the general fund with all the earnings credited to the treasury income account except:

(a) The following accounts and funds shall receive their proportionate share of earnings based upon each account's and fund's average daily balance for the period: The aeronautics account, the aircraft search and rescue account, the Alaskan Way viaduct replacement project account, the brownfield redevelopment trust fund account, the budget stabilization account, the capital vessel replacement account, the capitol building construction account, the Cedar River channel construction and operation account, the Central Washington University capital projects account, the charitable, educational, penal and reformatory institutions account, the cleanup settlement account, the Columbia river basin water supply development account, the Columbia river basin taxable bond water supply development account, the Columbia river basin water supply revenue recovery account, the common school construction fund, the community forest trust account, the county arterial preservation account, the county criminal justice assistance account, the deferred compensation administrative account, the deferred compensation principal account, the department of licensing services account, the department of retirement systems expense account, the developmental disabilities community trust account, the diesel idle reduction account, the drinking water assistance account, the drinking water assistance administrative account, the drinking water assistance repayment account, the Eastern Washington University capital projects account, the Interstate 405 express toll lanes operations account, the education construction fund, the education legacy trust account, the election account, the electric vehicle charging infrastructure account, the energy freedom account, the energy recovery act account, the essential rail assistance account, The Evergreen State College capital projects account, the federal forest revolving account, the ferry bond retirement fund, the freight mobility investment account, the freight mobility multimodal account, the grade crossing protective fund, the public health services account, the high capacity transportation account, the state higher education construction account, the higher education construction account, the highway bond retirement fund, the highway infrastructure account, the highway safety fund, the high occupancy toll lanes operations account, the hospital safety net assessment fund, the industrial insurance premium refund account, the judges' retirement account, the judicial retirement administrative account, the judicial retirement principal account, the local leasehold excise tax account, the local real estate excise tax account, the local sales and use tax account, the marine resources stewardship trust account, the medical aid account, the mobile home park relocation fund, the motor vehicle fund, the motorcycle safety education account, the multimodal transportation account, the multiuse roadway safety account, the municipal criminal justice assistance account, the natural resources deposit account, the oyster reserve land account, the pension funding stabilization account, the perpetual surveillance and maintenance account, the public employees' retirement system plan 1 account, the public employees' retirement system combined plan 2 and plan 3 account, the public facilities construction loan revolving account beginning July 1, 2004, the public health supplemental account, the public works assistance account, the Puget Sound capital construction account, the Puget Sound ferry operations account, the real estate appraiser commission account, the recreational vehicle account, the regional mobility grant program account, the resource management cost account, the rural arterial trust account, the rural mobility grant program account, the rural Washington loan fund, the site closure account, the skilled nursing facility safety net trust fund, the small city pavement and sidewalk account, the special category C account, the special wildlife account, the state employees' insurance account, the state employees' insurance reserve account, the state investment board expense account, the state investment board commingled trust fund accounts, the state patrol highway account, the state route number 520 civil penalties account, the state route number 520 corridor account, the state wildlife account, the supplemental pension account, the Tacoma Narrows toll bridge account, the teachers' retirement system plan 1 account, the teachers' retirement system combined plan 2 and plan 3 account, the tobacco prevention and control account, the tobacco settlement account, the toll facility bond retirement account, the transportation 2003 account (nickel account), the transportation equipment fund, the transportation fund, the transportation improvement account, the transportation improvement board bond retirement account, the transportation infrastructure account, the transportation partnership account, the traumatic brain injury account, the tuition recovery trust fund, the University of Washington bond retirement fund, the University of Washington building account, the volunteer firefighters' and reserve officers' relief and pension principal fund, the volunteer firefighters' and reserve officers' administrative fund, the Washington judicial retirement system account, the Washington law enforcement officers' and firefighters' system plan 1 retirement account, the Washington law enforcement officers' and firefighters' system plan 2 retirement account, the Washington public safety employees' plan 2 retirement account, the Washington school employees' retirement system combined plan 2 and 3 account, the Washington state health insurance pool account, the Washington state patrol retirement account, the Washington State University building account, the Washington State University bond retirement fund, the water pollution control revolving administration account, the water pollution control revolving fund, the Western Washington University capital projects account, the Yakima integrated plan implementation account, the Yakima integrated plan implementation revenue recovery account, and the Yakima integrated plan implementation taxable bond account. Earnings derived from investing balances of the agricultural permanent fund, the normal school permanent fund, the permanent common school fund, the scientific permanent fund, the state university permanent fund, and the state reclamation revolving account shall be allocated to their respective beneficiary accounts.

(b) Any state agency that has independent authority over accounts or funds not statutorily required to be held in the state treasury that deposits funds into a fund or account in the state treasury pursuant to an agreement with the office of the state treasurer shall receive its proportionate share of earnings based upon each account's or fund's average daily balance for the period.

(5) In conformance with Article II, section 37 of the state Constitution, no treasury accounts or funds shall be allocated earnings without the specific affirmative directive of this section.

**Sec.**  RCW 43.84.092 and 2014 c 112 s 107, 2014 c 74 s 6, and 2014 c 32 s 7 are each reenacted and amended to read as follows:

(1) All earnings of investments of surplus balances in the state treasury shall be deposited to the treasury income account, which account is hereby established in the state treasury.

(2) The treasury income account shall be utilized to pay or receive funds associated with federal programs as required by the federal cash management improvement act of 1990. The treasury income account is subject in all respects to chapter 43.88 RCW, but no appropriation is required for refunds or allocations of interest earnings required by the cash management improvement act. Refunds of interest to the federal treasury required under the cash management improvement act fall under RCW 43.88.180 and shall not require appropriation. The office of financial management shall determine the amounts due to or from the federal government pursuant to the cash management improvement act. The office of financial management may direct transfers of funds between accounts as deemed necessary to implement the provisions of the cash management improvement act, and this subsection. Refunds or allocations shall occur prior to the distributions of earnings set forth in subsection (4) of this section.

(3) Except for the provisions of RCW 43.84.160, the treasury income account may be utilized for the payment of purchased banking services on behalf of treasury funds including, but not limited to, depository, safekeeping, and disbursement functions for the state treasury and affected state agencies. The treasury income account is subject in all respects to chapter 43.88 RCW, but no appropriation is required for payments to financial institutions. Payments shall occur prior to distribution of earnings set forth in subsection (4) of this section.

(4) Monthly, the state treasurer shall distribute the earnings credited to the treasury income account. The state treasurer shall credit the general fund with all the earnings credited to the treasury income account except:

(a) The following accounts and funds shall receive their proportionate share of earnings based upon each account's and fund's average daily balance for the period: The aeronautics account, the aircraft search and rescue account, the Alaskan Way viaduct replacement project account, the brownfield redevelopment trust fund account, the budget stabilization account, the capital vessel replacement account, the capitol building construction account, the Cedar River channel construction and operation account, the Central Washington University capital projects account, the charitable, educational, penal and reformatory institutions account, the cleanup settlement account, the Columbia river basin water supply development account, the Columbia river basin taxable bond water supply development account, the Columbia river basin water supply revenue recovery account, the Columbia river crossing project account, the common school construction fund, the community forest trust account, the county 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Earnings derived from investing balances of the agricultural permanent fund, the normal school permanent fund, the permanent common school fund, the scientific permanent fund, the state university permanent fund, and the state reclamation revolving account shall be allocated to their respective beneficiary accounts.

(b) Any state agency that has independent authority over accounts or funds not statutorily required to be held in the state treasury that deposits funds into a fund or account in the state treasury pursuant to an agreement with the office of the state treasurer shall receive its proportionate share of earnings based upon each account's or fund's average daily balance for the period.

(5) In conformance with Article II, section 37 of the state Constitution, no treasury accounts or funds shall be allocated earnings without the specific affirmative directive of this section.

NEW SECTION. **Sec.**  Sections 6 and 7 of this act take effect July 1, 2016.

NEW SECTION. **Sec.**  Section 7 of this act expires on the effective date of legislation enacted by the legislature that imposes a vehicle miles traveled fee or tax.

NEW SECTION. **Sec.**  Section 9 of this act expires on the date the requirements set out in section 7, chapter 36, Laws of 2012 are met.

NEW SECTION. **Sec.**  Section 10 of this act takes effect on the date the requirements set out in section 7, chapter 36, Laws of 2012 are met.

NEW SECTION. **Sec.**  Except for sections 6, 7, and 10 of this act, this act is necessary for the immediate preservation of the public peace, health, or safety, or support of the state government and its existing public institutions, and takes effect July 1, 2015.

**--- END ---**