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**SENATE BILL 5325**

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

**By** Senators King, Hobbs, Litzow, Liias, Fain, and Ericksen

AN ACT Relating to incentivizing the use of alternative fuel commercial use vehicles with tax preferences; adding a new section to chapter 82.08 RCW; adding a new section to chapter 82.12 RCW; adding a new section to chapter 82.04 RCW; adding a new section to chapter 82.16 RCW; creating a new section; providing an effective date; and providing expiration dates.

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

**Legislative Findings and Tax Performance Statement**

NEW SECTION. **Sec.**  (1) This act is known and may be cited as the clean fuel vehicle incentives act.

(2) The legislature finds that cleaner fuels reduce greenhouse gas emissions in the transportation sector and lead to a more sustainable environment. The legislature further finds that alternative fuel vehicles cost more than comparable models of conventional fuel vehicles, particularly in the commercial market. The legislature further finds the higher cost of alternative fuel vehicles incentivize companies to purchase comparable models of conventional fuel vehicles. The legislature further finds that other states provide various tax credits and exemptions. The legislature further finds incentivizing businesses to purchase cleaner, alternative fuel vehicles is a collaborative step toward meeting the state’s climate and environmental goals.

(3)(a) This subsection is the tax preference performance statement for the clean alternative fuel vehicle tax exemptions and credits provided in sections 2 through 5 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.

(b) The legislature categorizes the tax preference as one intended to induce certain designated behavior by taxpayers.

(c) It is the legislature's specific public policy objective to provide a sales and use tax exemption and credits to the business and occupation and public utility taxes to increase sales of commercial vehicles that use clean alternative fuel vehicles by ten percent by 2026.

(d) To measure the effectiveness of the exemption provided in this act in achieving the specific public policy objective described in (c) of this subsection, the joint legislative audit and review committee must, at minimum, evaluate the changes in the number of commercial vehicles that are powered by clean alternative fuel that are registered in Washington state.

(e)(i) The department of licensing must provide data needed for the joint legislative audit and review committee's analysis in (d) of this subsection.

(ii) In addition to the data source described under (e)(i) of this subsection, the joint legislative audit and review committee may use any other data it deems necessary in performing the evaluation under (d) of this subsection.

**Sales and Use Tax Exemptions on Commercial Vehicles**

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

(1)(a) The tax levied by RCW 82.08.020 does not apply to sales of new commercial vehicles, which are sold with propulsion units that can be principally powered by a clean alternative fuel.

(b) The tax levied by RCW 82.08.020 does not apply to sales of qualifying used commercial vehicles, which were modified after the initial purchase, with a United States environmental protection agency certified conversion that would allow the propulsion units to be principally powered by a clean alternative fuel.

(c) The tax levied by RCW 82.08.020 does not apply to costs to modify a commercial vehicle as described in (b) of this subsection. Costs include sales of tangible personal property that are incorporated into the vehicle and to sales of, or charges made for, labor and services used to modify the vehicle.

(2) The department must provide a separate tax reporting line for exemption amounts claimed under this section.

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

(a) "Commercial vehicle" means any vehicle that is purchased by a private business and that is used exclusively in the transportation of commodities, merchandise, produce, refuse, freight, or animals, and that is displaying a Washington state license plate.

(b) "Clean alternative fuel" means electricity, gasohol with at least twenty percent denatured alcohol content, hydrogen, hythane, methane, methanol, natural gas, liquefied natural gas, compressed natural gas, or propane.

(c) "Qualifying used commercial vehicle" means vehicles that:

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

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

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

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

(b) On the last day of March, June, September, and December of each year, the state treasurer, based upon information provided by the department, must transfer a sum equal to the dollar amount of the exemptions provided under this section from the multimodal transportation account to the general fund.

(5) This section expires January 1, 2026.

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

(1)(a) The provisions of this chapter do not apply in respect to the use of new commercial vehicles, which are sold with propulsion units that can be principally powered by a clean alternative fuel.

(b) The provisions of this chapter do not apply to the use of qualifying used commercial vehicles, which were modified after their initial purchase with a United States environmental protection agency certified conversion that would allow the propulsion units to be principally powered by a clean alternative fuel.

(c) The provisions of this chapter do not apply to costs to modify a commercial vehicle as described in (b) of this subsection. Costs include sales of tangible personal property that are incorporated into the vehicle and to sales of, or charges made for, labor and services used to modify the vehicle.

(2) The exemptions provided in this section do not apply with respect to new commercial vehicles and qualifying used commercial vehicles acquired after December 31, 2025, or to modifications made after December 31, 2025.

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

(b) On the last day of March, June, September, and December of each year, the state treasurer, based upon information provided by the department, must transfer a sum equal to the dollar amount of the exemptions provided under this section from the multimodal transportation account to the general fund.

(4) The definitions in section 2 of this act apply to this section.

**Business and Occupation Tax and Public Utility Tax Credits**

NEW SECTION. **Sec.**  A new section is added to chapter 82.04 RCW to read as follows:

(1) A person who is taxable under this chapter is allowed a credit against the tax imposed in this chapter for the lesser of twenty-five thousand dollars or fifteen percent of the purchase price of a new or qualifying used clean alternative fuel commercial vehicle.

(2) A person who is taxable under this chapter is allowed a credit against the tax imposed in this chapter for the lesser of twenty-five thousand dollars or thirty percent of the costs of converting a commercial vehicle to be powered by a clean alternative fuel with a United States environmental protection agency certified conversion.

(3) The total credits under this section may not exceed two hundred fifty thousand dollars per person per calendar year.

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

(5) Credits are available on a first-in-time basis. The department must disallow any credits, or portion thereof, that would cause the total amount of credits claimed under this section, and section 5 of this act, during any calendar year to exceed six million dollars. The department must provide notification on its web site monthly on the amount of credits that have been issued and the amount remaining before the statewide annual limit is reached. In addition, the department must provide written notice to any person who has claimed tax credits in excess of the limitation in this subsection. The notice must indicate the amount of tax due and provide that the tax be paid within thirty days from the date of the notice. The department may not assess penalties and interest as provided in chapter 82.32 RCW on the amount due in the initial notice if the amount due is paid by the due date specified in the notice, or any extension thereof.

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

(7) Taxpayers are only eligible for a credit under this section based on sales which are exempt from tax under section 2 of this act. A credit is earned when qualifying purchases are made.

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

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

(b) On the last day of March, June, September, and December of each year, the state treasurer, based upon information provided by the department, must transfer a sum equal to the dollar amount of the credit provided under this section from the multimodal transportation account to the general fund.

(10) This section expires January 1, 2026.

NEW SECTION. **Sec.**  A new section is added to chapter 82.16 RCW to read as follows:

(1) A person who is taxable under this chapter is allowed a credit against the tax imposed in this chapter for the lesser of twenty-five thousand dollars or fifteen percent of the purchase price of a new or qualifying used clean alternative fuel commercial vehicle.

(2) A person who is taxable under this chapter is allowed a credit against the tax imposed in this chapter for the lesser of twenty-five thousand dollars or thirty percent of the costs of converting a commercial vehicle to be powered by a clean alternative fuel with a United States environmental protection agency certified conversion.

(3) The total credits under this section may not exceed two hundred fifty thousand dollars per person per calendar year.

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

(5) Credits are available on a first-in-time basis. The department must disallow any credits, or portion thereof, that would cause the total amount of credits claimed under this section, and section 4 of this act, during any calendar year to exceed six million dollars. The department must provide notification on its web site monthly on the amount of credits that have been issued and the amount remaining before the statewide annual limit is reached. In addition, the department must provide written notice to any person who has claimed tax credits in excess of the limitation in this subsection. The notice must indicate the amount of tax due and provide that the tax be paid within thirty days from the date of the notice. The department may not assess penalties and interest as provided in chapter 82.32 RCW on the amount due in the initial notice if the amount due is paid by the due date specified in the notice, or any extension thereof.

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

(7) Taxpayers are only eligible for a credit under this section based on sales which are exempt from tax under section 2 of this act. A credit is earned when qualifying purchases are made.

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

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

(b) On the last day of March, June, September, and December of each year, the state treasurer, based upon information provided by the department, must transfer a sum equal to the dollar amount of the credit provided under this section from the multimodal transportation account to the general fund.

(10) This section expires January 1, 2026.

**Miscellaneous Provisions**

NEW SECTION. **Sec.**  This act takes effect January 1, 2016.

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