

HOUSE BILL 2761

State of Washington 64th Legislature 2016 Regular Session

By Representatives Clibborn, Orcutt, and Fey

Read first time 01/20/16. Referred to Committee on Transportation.

1 AN ACT Relating to modifying the business and occupation tax
2 credit for alternative fuel commercial vehicles; amending RCW
3 82.04.4496; and amending 2015 3rd sp.s. c 44 s 410 (uncodified).

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

5 Sec. 1. RCW 82.04.4496 and 2015 3rd sp.s. c 44 s 411 are each
6 amended to read as follows:

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

Table with 4 columns: Gross Vehicle Weight, Incremental Cost Amount, Maximum Credit Amount Per Vehicle, Maximum Annual Credit Per Vehicle Class. Rows include weight categories: Up to 14,000 pounds, 14,001 to 26,500 pounds, and Above 26,500 pounds.

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

5 (c) The credit provided in this subsection (1) is (~~not~~)  
6 available for the lease of a vehicle. The credit amount for a leased  
7 vehicle is equal to the credit in this subsection (1) multiplied by  
8 the lease reduction factor. The person claiming the credit for a  
9 leased vehicle must be the lessee as identified in the lease  
10 contract.

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

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

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

23 (5) Credits are available on a first-in-time basis. The  
24 department must disallow any credits, or portion thereof, that would  
25 cause the total amount of credits claimed under this section, and RCW  
26 82.16.0496, during any calendar year to exceed six million dollars.  
27 The department must provide notification on its web site monthly on  
28 the amount of credits that have been applied for, the amount issued,  
29 and the amount remaining before the statewide annual limit is  
30 reached. In addition, the department must provide written notice to  
31 any person who has applied to claim tax credits in excess of the  
32 limitation in this subsection.

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

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

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

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

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

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

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

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

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

11 (vi) The estimated annual fuel use of the vehicle in its  
12 anticipated duties;

13 (vii) The gross weight of the vehicle; (~~and~~)

14 (viii) For leased vehicles, a copy of the lease contract that  
15 includes the adjusted capitalized cost, residual value, and name of  
16 the lessee; and

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

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

21 (i) A copy of the order for the vehicle, including the total cost  
22 for the vehicle;

23 (ii) The anticipated delivery date of the vehicle, which must be  
24 within one hundred twenty days of acceptance of the credit; and

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

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

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

30 (ii) A copy of the factory build sheet or equivalent  
31 documentation;

32 (iii) The vehicle identification number of the vehicle;

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

34 (v) Attestations signed by both the seller and purchaser of the  
35 vehicle attesting that the incremental cost of the alternative fuel  
36 system includes only the costs necessary for the vehicle to run on  
37 alternative fuel and no other vehicle options, equipment, or costs;  
38 and

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

1 (9) To administer the credits, the department must, at a minimum:

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

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

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

11 (d) Within fifteen days of receipt of final documentation, review  
12 the documentation and notify the person applying of the acceptance of  
13 their final documentation.

14 (10) If a person fails to supply the information as required in  
15 subsection (8) of this section, the department must deny the  
16 application.

17 (11)(a) Taxpayers are only eligible for a credit under this  
18 section based on:

19 (i) Sales(~~(, but not)~~) or leases(~~(, )~~) of new commercial vehicles  
20 and qualifying used commercial vehicles with propulsion units that  
21 are principally powered by a clean alternative fuel; or

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

26 (b) A credit is earned when qualifying purchases are made.

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

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

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

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

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

7 (b) "Clean alternative fuel" means electricity, dimethyl ether,  
8 hydrogen, methane, natural gas, liquefied natural gas, compressed  
9 natural gas, or propane.

10 (c) "Gross capitalized cost" means the agreed upon value of the  
11 commercial vehicle and including any other items a person pays over  
12 the lease term that are included in such cost.

13 (d) "Lease reduction factor" means the vehicle gross capitalized  
14 cost less the residual value, divided by the gross capitalized cost.

15 (e) "Qualifying used commercial vehicle" means vehicles that:

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

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

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

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

24 (f) "Residual value" means the lease-end value of the vehicle as  
25 determined by the lessor, at the end of the lease term included in  
26 the lease contract.

27 (15) Credits may be earned under this section from January 1,  
28 2016, through January 1, 2021, except for credits for leased  
29 vehicles, which may be earned from July 1, 2016, through January 1,  
30 2021.

31 (16) Credits earned under this section may not be used after  
32 January 1, 2022.

33 **Sec. 2.** 2015 3rd sp.s. c 44 s 410 (uncodified) is amended to  
34 read as follows:

35 (1) This section and sections 411 and 412 of this act may be  
36 known and cited as the clean fuel vehicle incentives act.

37 (2) The legislature finds that cleaner fuels reduce greenhouse  
38 gas emissions in the transportation sector and lead to a more  
39 sustainable environment. The legislature further finds that

1 alternative fuel vehicles cost more than comparable models of  
2 conventional fuel vehicles, particularly in the commercial market.  
3 The legislature further finds the higher cost of alternative fuel  
4 vehicles incentivize companies to purchase comparable models of  
5 conventional fuel vehicles. The legislature further finds that other  
6 states provide various tax credits and exemptions. The legislature  
7 further finds incentivizing businesses to purchase cleaner,  
8 alternative fuel vehicles is a collaborative step toward meeting the  
9 state's climate and environmental goals.

10 (3)(a) This subsection is the tax preference performance  
11 statement for the clean alternative fuel vehicle tax credits provided  
12 in sections 411 and 412 of this act, including the amendments made to  
13 RCW 82.04.4496 in chapter . . . , section 1, Laws of 2016 (section 1  
14 of this act). The performance statement is only intended to be used  
15 for subsequent evaluation of the tax preference. It is not intended  
16 to create a private right of action by any party or be used to  
17 determine eligibility for preferential tax treatment.

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

20 (c) It is the legislature's specific public policy objective to  
21 provide a credit against business and occupation and public utility  
22 taxes to increase sales of commercial vehicles that use clean  
23 alternative fuel to ten percent of commercial vehicle sales by 2021.

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

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

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

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