

SUBSTITUTE HOUSE BILL 2884

State of Washington 64th Legislature 2016 Regular Session

By House Transportation (originally sponsored by Representatives Clibborn, Fey, and Moscoso)

READ FIRST TIME 02/05/16.

1 AN ACT Relating to modifying the business and occupation tax and
2 public utility tax credits for alternative fuel commercial vehicles;
3 amending RCW 82.04.4496 and 82.16.0496; and amending 2015 3rd sp.s. c
4 44 s 410 (uncodified).

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

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

8 (1)(a) A person who is taxable under this chapter is allowed a
9 credit against the tax imposed in this chapter according to the gross
10 vehicle weight rating of the vehicle and the incremental cost of the
11 vehicle purchased above the purchase price of a comparable
12 conventionally fueled vehicle. The credit is limited, as set forth in
13 the table below, to the lesser of the incremental cost amount or the
14 maximum credit amount per vehicle purchased, and subject to a maximum
15 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% of incremental cost	\$5,000	\$2,000,000
14,001 to 26,500 pounds	50% of incremental cost	\$10,000	\$2,000,000

1	Above 26,500 pounds	50% of incremental cost	\$20,000	\$2,000,000
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2 (b) On September 1st of each year any unused credits from any
3 weight class identified in the table in (a) of this subsection must
4 be made available to applicants applying for credits under any other
5 weight class listed.

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

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

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

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

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

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

37 (7) To claim a credit under this section a person must
38 electronically file with the department all returns, forms, and any
39 other information required by the department, in an electronic format

1 as provided or approved by the department. No refunds may be granted
2 for credits under this section.

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

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

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

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

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

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

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

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

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

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

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

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

23 (i) A copy of the order for the vehicle, including the total cost
24 for the vehicle;

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

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

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

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

32 (ii) A copy of the factory build sheet or equivalent
33 documentation;

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

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

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

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

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

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

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

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

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

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

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

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

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

28 (b) A credit is earned when qualifying purchases are made or the
29 lessee takes receipt of the qualifying commercial vehicle.

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

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

39 (b) On the last day of March, June, September, and December of
40 each year, the state treasurer, based upon information provided by

1 the department, must transfer a sum equal to the dollar amount of the
2 credit provided under this section from the multimodal transportation
3 account to the general fund.

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

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

10 (b) "Clean alternative fuel" means electricity, dimethyl ether,
11 hydrogen, methane, natural gas, liquefied natural gas, compressed
12 natural gas, or propane.

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

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

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

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

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

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

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

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

30 (15) Credits may be earned under this section from January 1,
31 2016, through January 1, 2021, except for credits for leased
32 vehicles, which may be earned from July 1, 2016, through January 1,
33 2021.

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

36 **Sec. 2.** RCW 82.16.0496 and 2015 3rd sp.s. c 44 s 412 are each
37 amended to read as follows:

38 (1)(a) A person who is taxable under this chapter is allowed a
39 credit against the tax imposed in this chapter according to the gross

1 vehicle weight rating of the vehicle and the incremental cost of the
2 vehicle purchased above the purchase price of a comparable
3 conventionally fueled vehicle. The credit is limited, as set forth in
4 the table below, to the lesser of the incremental cost amount or the
5 maximum credit amount per vehicle purchased, and subject to a maximum
6 annual credit amount per vehicle class.

7	Gross Vehicle Weight	Incremental Cost Amount	Maximum Credit Amount	Maximum Annual Credit
8			Per Vehicle	Per Vehicle Class
9	Up to 14,000 pounds	50% of incremental cost	\$5,000	\$2,000,000
10	14,001 to 26,500 pounds	50% of incremental cost	\$10,000	\$2,000,000
11	Above 26,500 pounds	50% of incremental cost	\$20,000	\$2,000,000

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

16 (c) The credit provided in this subsection (1) is ~~((not))~~
17 available for the lease of a vehicle. The credit amount for a leased
18 vehicle is equal to the credit in this subsection (1) multiplied by
19 the lease reduction factor. The person claiming the credit for a
20 leased vehicle must be the lessee as identified in the lease
21 contract.

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

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

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

34 (5) Credits are available on a first-in-time basis. The
35 department must disallow any credits, or portion thereof, that would
36 cause the total amount of credits claimed under this section, and RCW
37 82.04.4496, during any calendar year to exceed six million dollars.
38 The department must provide notification on its web site monthly on

1 the amount of credits that have been applied for, the amount issued,
2 and the amount remaining before the statewide annual limit is
3 reached. In addition, the department must provide written notice to
4 any person who has applied to claim tax credits in excess of the
5 limitation in this subsection.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

34 (i) A copy of the order for the vehicle, including the total cost
35 for the vehicle;

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

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

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

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

4 (ii) A copy of the factory build sheet or equivalent
5 documentation;

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

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

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

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

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

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

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

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

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

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

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

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

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

1 (b) A credit is earned when qualifying purchases are made or the
2 lessee takes receipt of the qualifying commercial vehicle.

3 (12) The definitions in RCW 82.04.4496 apply to this section.

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

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

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

18 (15) Credits may be earned under this section from January 1,
19 2016, through January 1, 2021, except for credits for leased
20 vehicles, which may be earned from July 1, 2016, through January 1,
21 2021.

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

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

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

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

1 (3)(a) This subsection is the tax preference performance
2 statement for the clean alternative fuel vehicle tax credits provided
3 in (~~sections 411 and 412 of this act~~) RCW 82.04.4496 and
4 82.16.0496. The performance statement is only intended to be used for
5 subsequent evaluation of the tax preference. It is not intended to
6 create a private right of action by any party or be used to determine
7 eligibility for preferential tax treatment.

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

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

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

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

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

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