FINAL BILL REPORT
ESHB 1809

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Synopsis as Enacted

Brief Description: Concerning tax credits for clean alternative fuel commercial vehicles.

Sponsors: House Committee on Finance (originally sponsored by Representatives Fey, Orcutt and McBride).

House Committee on Finance
Senate Committee on Ways & Means

Background:

Business and Occupation Tax.
Washington's major business tax is the business and occupation (B&O) tax. The B&O tax is imposed on the gross receipts of business activities conducted within the state, without any deduction for the cost of doing business. There are several rate categories, and a business may be subject to more than one B&O tax rate, depending on the types of activities conducted. Multiple exemptions, deductions, and credits apply to reduce the B&O tax liability for specific taxpayers and business industries.

Public Utility Tax.
The Public Utility Tax (PUT) is applied to gross income derived from operation of public and privately owned utilities, including the general categories of transportation, communications, and the supply of energy and water. The PUT is in lieu of the B&O tax. The applicable PUT rate depends upon the specific utility activity.

Business and Occupational Tax and Public Utility Tax Credits for Alternative Fuel Commercial Vehicles.
The B&O tax and PUT credits are available to businesses that use clean alternative fuel commercial vehicles to transport commodities, merchandise, produce, refuse, freight, or animals. The credit is earned on the purchase, conversion, or lease of an eligible vehicle.

Clean alternative fuels are defined as electricity, dimethyl ether, hydrogen, methane, natural gas, liquefied natural gas, compressed natural gas, and propane. Qualifying used commercial vehicles is defined are those with an odometer reading of less than 30,000 miles and that are less than two years past the original manufacturing date.

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.

To claim the credit, an applicant must submit several pieces of information, including a vehicle quote, the type of alternative fuel to be used, and the incremental cost of the system to the Department of Revenue (Department). Applicants must then notify the Department of their intent to claim the credit. The anticipated delivery date of the vehicle must be within 120 days of the applicant's notice of intent to claim the credit. Applicants must file an application for each vehicle.

A business or utility is limited to an annual maximum of $250,000 in credits or the amount of credit associated with 25 vehicles, whichever is less. The maximum credit amount per vehicle is $5,000, $10,000, or $20,000, based on the gross weight of the vehicle. The total amount of B&O and PUT credits claimed annually may not exceed $6 million. Amounts claimed represent reduced revenues to the State General Fund; however, the credits include provisions that transfer an equivalent amount of funding from the Multimodal Transportation Account to the State General Fund to offset the reductions.

Tax Preference Performance Statement.
All tax preference legislation enacted, expanded, or extended (new tax preference legislation) after August 1, 2013, must include a tax preference statement. The performance statement must direct the Joint Legislative Audit and Review Committee to evaluate the performance of the tax preference in achieving its stated public policy objective. Additionally, all new tax preference legislation is subject to an automatic 10-year expiration date for the new tax preference if an alternative expiration date is not provided in the legislation.

Summary:

The definition of "eligible vehicles" is expanded to include vehicles exclusively used to provide commercial services and vehicles transporting passengers. All commercial vehicles that provide transportation to passengers must operate within Washington between fixed points or over a regular route.

The mileage and manufacturing date limits for qualifying used commercial vehicles are increased to 450,000 miles and 10 years past the original manufacturing date. The amount of credit allowed per vehicle is quintupled for each vehicle weight class.

Applicants may file for credits for multiple cars on one application. The anticipated delivery date of the vehicle must be within one year of the applicant's notice of intent to claim the credit.

The tax preference performance statement for the alternative fuel commercial vehicle tax credit program is amended to apply to this provisions. The act expires on January 1, 2022.

Votes on Final Passage:

House	97	1
Senate	42	6

Effective: January 1, 2018