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**ENGROSSED SUBSTITUTE HOUSE BILL 1809**

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**State of Washington**                      **65th Legislature**                      **2017 Regular Session**

**By** House Finance (originally sponsored by Representatives Fey, Orcutt, and McBride)

READ FIRST TIME 02/17/17.

1            AN ACT Relating to tax credits for clean alternative fuel  
2 commercial vehicles; amending RCW 82.16.0496; amending 2016 c 29 s 3  
3 (uncodified); reenacting and amending RCW 82.04.4496; providing an  
4 effective date; and providing expiration dates.

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

6            **Sec. 1.** RCW 82.04.4496 and 2016 c 29 s 1 are each reenacted and  
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	<del>(\$5,000)</del> <u>\$25,000</u>	\$2,000,000
14,001 to 26,500 pounds	50% of incremental cost	<del>(\$10,000)</del> <u>\$50,000</u>	\$2,000,000

Above 26,500 pounds	50% of incremental cost	(( <del>\$20,000</del> )) <u>\$100,000</u>	\$2,000,000
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(b) On September 1st of each year any unused credits from any weight class identified in the table in (a) of this subsection must be made available to applicants applying for credits under any other weight class listed.

(c) The credit provided in this subsection (1) is available for the lease of a vehicle. The credit amount for a leased vehicle is equal to the credit in this subsection (1) multiplied by the lease reduction factor. The person claiming the credit for a leased vehicle must be the lessee as identified in the lease contract.

(2) A person who is taxable under this chapter is allowed, subject to the maximum annual credit per vehicle class in subsection (1)(a) of this section, 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 principally 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 the lesser of two hundred fifty thousand dollars or twenty-five vehicles 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 RCW 82.16.0496, 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 applied for, the amount 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 applied to claim tax credits in excess of the limitation in this subsection.

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

(7) 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

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))~~ the  
14 anticipated duties;

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

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))~~ year of acceptance of the credit;  
27 and

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

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

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

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

35 (iii) The vehicle identification number of ~~((the))~~ each vehicle;

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

37 (v) Attestations signed by both the seller and purchaser of  
38 ~~((the))~~ each vehicle attesting that the incremental cost of the  
39 alternative fuel system includes only the costs necessary for the

1 vehicle to run on alternative fuel and no other vehicle options,  
2 equipment, or costs; and

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

5 (9) A person applying for credit under subsection (8) of this  
6 section may apply for multiple vehicles on the same application, but  
7 the application must include the required information for each  
8 vehicle included in the application.

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

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

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

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

20 (d) Within fifteen days of receipt of final documentation, review  
21 the documentation and notify the person applying of the acceptance of  
22 their final documentation.

23 ~~((+10))~~ (11) If a person fails to supply the information as  
24 required in subsection (8) of this section, the department must deny  
25 the application.

26 ~~((+11))~~ (12)(a) Taxpayers are only eligible for a credit under  
27 this section based on:

28 (i) Sales or leases of new commercial vehicles and qualifying  
29 used commercial vehicles with propulsion units that are principally  
30 powered by a clean alternative fuel; or

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

35 (b) A credit is earned when ~~((qualifying purchases are made))~~ the  
36 purchaser or the lessee takes receipt of the qualifying commercial  
37 vehicle or the conversion is complete.

38 ~~((+12))~~ (13) A credit earned during one calendar year may be  
39 carried over to be credited against taxes incurred in the subsequent  
40 calendar year, but may not be carried over a second year.

1       (~~(13)~~) (14)(a) Beginning November 25, 2015, and on the 25th of  
2 February, May, August, and November of each year thereafter, the  
3 department must notify the state treasurer of the amount of credits  
4 taken under this section as reported on returns filed with the  
5 department during the preceding calendar quarter ending on the last  
6 day of December, March, June, and September, respectively.

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

12       (~~(14)~~) (15) The definitions in this subsection apply throughout  
13 this section unless the context clearly requires otherwise.

14       (a) "Auto transportation company" means any corporation or person  
15 owning, controlling, operating, or managing any motor propelled  
16 vehicle, used in the business of transporting persons for  
17 compensation over public highways within the state of Washington,  
18 between fixed points or over a regular route.

19       **(b)** "Clean alternative fuel" means electricity, dimethyl ether,  
20 hydrogen, methane, natural gas, liquefied natural gas, compressed  
21 natural gas, or propane.

22       (~~(b)~~) (c) "Commercial vehicle" means any commercial vehicle  
23 that is purchased by a private business and that is used exclusively  
24 in the provision of commercial services or the transportation of  
25 commodities, merchandise, produce, refuse, freight, (~~(or)~~) animals,  
26 or passengers, and that is displaying a Washington state license  
27 plate. All commercial vehicles that provide transportation to  
28 passengers must be operated by an auto transportation company.

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

32       (~~(d)~~) (e) "Lease reduction factor" means the vehicle gross  
33 capitalized cost less the residual value, divided by the gross  
34 capitalized cost.

35       (~~(e)~~) (f) "Qualifying used commercial vehicle" means vehicles  
36 that:

37       (i) Have an odometer reading of less than (~~(thirty)~~) four hundred  
38 fifty thousand miles;

39       (ii) Are less than (~~(two)~~) ten years past their original date of  
40 manufacture;

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

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

6 ~~((f))~~ (g) "Residual value" means the lease-end value of the  
7 vehicle as determined by the lessor, at the end of the lease term  
8 included in the lease contract.

9 ~~((15))~~ (16) Credits may be earned under this section from  
10 January 1, 2016, through January 1, 2021, except for credits for  
11 leased vehicles, which may be earned from July 1, 2016, through  
12 January 1, 2021.

13 ~~((16))~~ (17) Credits earned under this section may not be used  
14 after January 1, 2022.

15 (18) This section expires January 1, 2022.

16 **Sec. 2.** RCW 82.16.0496 and 2016 c 29 s 2 are each amended to  
17 read as follows:

18 (1)(a) A person who is taxable under this chapter is allowed a  
19 credit against the tax imposed in this chapter according to the gross  
20 vehicle weight rating of the vehicle and the incremental cost of the  
21 vehicle purchased above the purchase price of a comparable  
22 conventionally fueled vehicle. The credit is limited, as set forth in  
23 the table below, to the lesser of the incremental cost amount or the  
24 maximum credit amount per vehicle purchased, and subject to a maximum  
25 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	<del>(\$5,000)</del> <u>\$25,000</u>	\$2,000,000
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Above 26,500 pounds	50% of incremental cost	<del>(\$20,000)</del> <u>\$100,000</u>	\$2,000,000

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

35 (c) The credit provided in this subsection (1) is available for  
36 the lease of a vehicle. The credit amount for a leased vehicle is  
37 equal to the credit in this subsection (1) multiplied by the lease

1 reduction factor. The person claiming the credit for a leased vehicle  
2 must be the lessee as identified in the lease contract.

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

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

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

15 (5) Credits are available on a first-in-time basis. The  
16 department must disallow any credits, or portion thereof, that would  
17 cause the total amount of credits claimed under this section, and RCW  
18 82.04.4496, during any calendar year to exceed six million dollars.  
19 The department must provide notification on its web site monthly on  
20 the amount of credits that have been applied for, the amount issued,  
21 and the amount remaining before the statewide annual limit is  
22 reached. In addition, the department must provide written notice to  
23 any person who has applied to claim tax credits in excess of the  
24 limitation in this subsection.

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

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

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

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

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

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

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

1 (iv) The incremental cost of the alternative fuel system;  
2 (v) The anticipated delivery date of the vehicle;  
3 (vi) The estimated annual fuel use of the vehicle in ~~((its))~~ the  
4 anticipated duties;  
5 (vii) The gross weight of ~~((the))~~ each vehicle;  
6 (viii) For leased vehicles, a copy of the lease contract that  
7 includes the gross capitalized cost, residual value, and name of the  
8 lessee; and  
9 (ix) Any other information deemed necessary by the department to  
10 support administration or reporting of the program.  
11 (b) Within fifteen days of notice of credit availability from the  
12 department, provide notice of intent to claim the credit including:  
13 (i) A copy of the order for the vehicle, including the total cost  
14 for the vehicle;  
15 (ii) The anticipated delivery date of the vehicle, which must be  
16 within one ~~((hundred twenty days))~~ year of acceptance of the credit;  
17 and  
18 (iii) Any other information deemed necessary by the department to  
19 support administration or reporting of the program.  
20 (c) Provide final documentation within fifteen days of receipt of  
21 the vehicle, including:  
22 (i) A copy of the final invoice for the vehicle;  
23 (ii) A copy of the factory build sheet or equivalent  
24 documentation;  
25 (iii) The vehicle identification number of ~~((the))~~ each vehicle;  
26 (iv) The incremental cost of the alternative fuel system;  
27 (v) Attestations signed by both the seller and purchaser of the  
28 vehicle attesting that the incremental cost of the alternative fuel  
29 system includes only the costs necessary for the vehicle to run on  
30 alternative fuel and no other vehicle options, equipment, or costs;  
31 and  
32 (vi) Any other information deemed necessary by the department to  
33 support administration or reporting of the program.  
34 (9) A person applying for credit under subsection (8) of this  
35 section may apply for multiple vehicles on the same application, but  
36 the application must include the required information for each  
37 vehicle included in the application.  
38 (10) To administer the credits, the department must, at a  
39 minimum:



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

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

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

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

13 ~~((+10+))~~ (11) If a person fails to supply the information as  
14 required in subsection (8) of this section, the department must deny  
15 the application.

16 ~~((+11+))~~ (12)(a) Taxpayers are only eligible for a credit under  
17 this section based on:

18 (i) Sales or leases of new commercial vehicles and qualifying  
19 used commercial vehicles with propulsion units that are principally  
20 powered by a clean alternative fuel; or

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

25 (b) A credit is earned when ~~((qualifying purchases are made))~~ the  
26 purchaser or the lessee takes receipt of the qualifying commercial  
27 vehicle or the conversion is complete.

28 ~~((+12+))~~ (13) The definitions in RCW 82.04.4496 apply to this  
29 section.

30 ~~((+13+))~~ (14) A credit earned during one calendar year may be  
31 carried over to be credited against taxes incurred in the subsequent  
32 calendar year, but may not be carried over a second year.

33 ~~((+14+))~~ (15)(a) Beginning November 25, 2015, and on the 25th of  
34 February, May, August, and November of each year thereafter, the  
35 department must notify the state treasurer of the amount of credits  
36 taken under this section as reported on returns filed with the  
37 department during the preceding calendar quarter ending on the last  
38 day of December, 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 ~~((+15+))~~ (16) Credits may be earned under this section from  
5 January 1, 2016, through January 1, 2021, except for credits for  
6 leased vehicles, which may be earned from July 1, 2016, through  
7 January 1, 2021.

8 ~~((+16+))~~ (17) Credits earned under this section may not be used  
9 after January 1, 2022.

10 (18) This section expires January 1, 2022.

11 **Sec. 3.** 2016 c 29 s 3 (uncodified) is amended to read as  
12 follows:

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

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

27 (3)(a) This subsection is the tax preference performance  
28 statement for the clean alternative fuel vehicle tax credits provided  
29 in ~~((RCW 82.04.4496 and 82.16.0496))~~ section 1, chapter . . . , Laws  
30 of 2017 (section 1 of this act), sections 1 and 2, chapter 29, Laws  
31 of 2016, and sections 411 and 412, chapter 44, Laws of 2015 3rd sp.  
32 sess. The performance statement is only intended to be used for  
33 subsequent evaluation of the tax preference. It is not intended to  
34 create a private right of action by any party or be used to determine  
35 eligibility for preferential tax treatment.

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

38 (c) It is the legislature's specific public policy objective to  
39 provide a credit against business and occupation and public utility

1 taxes to increase sales of commercial vehicles that use clean  
2 alternative fuel to ten percent of commercial vehicle sales by 2021.

3 (d) To measure the effectiveness of the credit provided in (~~this~~  
4 ~~act~~) section 1, chapter . . ., Laws of 2017 (section 1 of this act),  
5 sections 1 and 2, chapter 29, Laws of 2016, and sections 411 and 412,  
6 chapter 44, Laws of 2015 3rd sp. sess. in achieving the specific  
7 public policy objective described in (c) of this subsection, the  
8 joint legislative audit and review committee must, at minimum,  
9 evaluate the changes in the number of commercial vehicles that are  
10 powered by clean alternative fuel that are registered in Washington  
11 state.

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

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

19 NEW SECTION. **Sec. 4.** This act takes effect January 1, 2018.

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