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**HOUSE BILL 1503**

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**State of Washington 67th Legislature 2021 Regular Session**

**By** Representatives Wylie, Duerr, Stonier, and Pollet

AN ACT Relating to establishing an alternative fuel vehicle retail sales and use tax exemption for lower-income individuals; adding a new section to chapter 82.08 RCW; adding a new section to chapter 82.12 RCW; creating a new section; providing an effective date; and providing expiration dates.

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

NEW SECTION. **Sec.**  (1) This section is the tax preference performance statement for the tax preferences contained in sections 2 and 3 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.

(2) The legislature categorizes the tax preferences as ones intended to induce certain designated behavior by taxpayers, as indicated in RCW 82.32.808(2)(a).

(3) It is the legislature's specific public policy objective to provide a financial incentive to individuals who do not earn above certain federally determined income thresholds to purchase or lease alternative fuel vehicles to increase the use of these vehicles in Washington by those who otherwise might not be able to afford them. It is the legislature's intent to establish an income-based tax incentive program for alternative fuel vehicles by establishing a retail sales and use tax exemption for alternative fuel vehicles to reduce the price charged to customers who otherwise might not be able to purchase or lease these vehicles.

(4) To measure the effectiveness of the tax preferences in sections 2 and 3 of this act in achieving the public policy objectives described in subsection (3) of this section, the joint legislative audit and review committee must evaluate the number of clean alternative fuel vehicles titled in the state.

(5) In order to obtain the data necessary to perform the review in subsection (4) of this section, the department of licensing and the department of revenue must provide data needed for the joint legislative audit and review committee analysis. In addition to the data source described under this subsection, the joint legislative audit and review committee may use any other data it deems necessary.

(6) This section expires October 1, 2031.

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

(1) Beginning October 1, 2021, with sales made or lease agreements signed on or after the qualification period start date:

(a) When the purchaser or lessee meets the requirements of (c) of this subsection, the tax levied by RCW 82.08.020 does not apply to sales or leases of new or used passenger cars, light duty trucks, and medium duty passenger vehicles that:

(i)(A) Are exclusively powered by a clean alternative fuel; or

(B) Are powered by an internal combustion engine in combination with one or more electric motors that use energy stored in batteries; and

(ii)(A) Have a vehicle selling price plus trade-in property of like kind that does not exceed $25,000 for purchased vehicles; or

(B) Have a fair market value that does not exceed $25,000 for leased vehicles.

(b) The exemption in this section is applicable to the total amount eligible for taxation under this chapter of:

(i) The total amount of the vehicle's selling price, for sales made; or

(ii) The total lease payments made plus any additional selling price of the leased vehicle if the original lessee purchases the leased vehicle before the qualification period end date, for lease agreements signed.

(c) To be eligible for a tax exemption under this section, the purchaser or lessee must be an individual, or an individual's spouse if the purchaser or lessee files a federal joint income tax return, who is eligible for and is granted the federal income tax credit provided in Title 26 U.S.C. Sec. 32, based on the most recently due federal income tax return.

(2)(a)(i) In order to claim the exemption under this section, a qualifying person must submit an application to the department for an exemption certificate. The application must include the information necessary, as required by the department, to determine that a person qualifies for the exemption under this section. The department must issue exemption certificates to qualifying persons. The department may assign a unique identification number to each exemption certificate issued under this section.

(ii) A qualifying person claiming the exemption under this section must present the seller with an exemption certificate in a form and manner prescribed by the department.

(b) The seller must keep records necessary for the department to verify vehicle eligibility under this section, including a copy of the exemption certificate required under (a) of this subsection for the seller's files. A person making exempt sales must also submit itemized information to the department for all vehicles for which an exemption is claimed that must include the following: Vehicle make; vehicle model; model year; whether the vehicle has been sold or leased; date of sale or start date of lease; length of lease; sales price for purchased vehicles and fair market value at the inception of the lease for leased vehicles; and the total amount qualifying for the incentive claimed for each vehicle, in addition to the future monthly amount to be claimed for each leased vehicle. This information must be provided in a form and manner prescribed by the department.

(c) A qualifying person who does not present the seller with an exemption certificate and pays tax due under this chapter on an eligible vehicle is eligible for a tax refund and may submit a refund request, along with a copy of the purchase contract and the information required under (a)(i) of this subsection, to the department.

(3)(a) The department of licensing must maintain and publish a list of all vehicle models qualifying for the tax exemptions under this section or section 3 of this act until the expiration date of this section, and is authorized to issue final rulings on vehicle model qualification for these criteria. A seller is not responsible for repayment of the tax exemption under this section and section 3 of this act for a vehicle if the department of licensing's published list of qualifying vehicle models on the purchase date or the date the lease agreement was signed includes the vehicle model and the department of licensing subsequently removes the vehicle model from the published list, and, if applicable, the vehicle meets the qualifying criterion under subsection (1)(a)(ii)(B) of this section and section 3(1)(a)(ii)(B) of this act.

(b) The department of revenue retains responsibility for determining whether a vehicle meets the applicable qualifying criterion under subsection (1)(a)(ii)(B) of this section and section 3(1)(a)(ii)(B) of this act.

(c) To increase public awareness of the exemption under this section and section 3 of this act, at the time of any vehicle registration under RCW 46.16A.040 and 46.16A.110, the department of licensing shall provide:

(i) Information on the availability of the tax exemption under this section and section 3 of this act for current and future vehicle registrations;

(ii) Details related to how and when this tax exemption is claimed; and

(iii) Information to assist individuals in determining whether they are eligible for this tax exemption, including whether they meet the income-based qualification criteria.

(4) On the last day of January, April, July, and October of each year, the state treasurer, based upon information provided by the department, must transfer from the electric vehicle account to the general fund a sum equal to the dollar amount that would otherwise have been deposited into the general fund during the prior calendar quarter but for the exemption provided in this section. Information provided by the department to the state treasurer must be based on the best available data, except that the department may provide estimates of taxes exempted under this section until such time as retailers are able to report such exempted amounts on their tax returns.

(5) By the last day of April 2022, and every six months thereafter until this section expires, based on the best available data, the department must report the following information to the transportation committees of the legislature: The cumulative number of vehicles that qualified for the exemption under this section and section 3 of this act by month of purchase or lease start and vehicle make and model; the dollar amount of all state retail sales and use taxes exempted on or after the qualification period start date under this section and section 3 of this act; and estimates of the future costs of leased vehicles that qualified for the exemption under this section and section 3 of this act.

(6) Neighborhood electric vehicles, as described in RCW 46.61.725, do not qualify for the tax exemption under this section.

(7) For the purposes of this section:

(a) "Clean alternative fuel" means natural gas, propane, hydrogen, or electricity, when used as a fuel in a motor vehicle that meets the California motor vehicle emission standards in Title 13 of the California Code of Regulations, effective January 1, 2019, and the rules of the Washington state department of ecology.

(b) "Fair market value" has the same meaning as "value of the article used" in RCW 82.12.010.

(c) "New vehicle" has the same meaning as "new motor vehicle" in RCW 46.04.358.

(d) "Qualification period end date" means October 1, 2028.

(e) "Qualification period start date" means October 1, 2021.

(f) "Used vehicle" has the same meaning as in RCW 46.04.660.

(8)(a) Sales of vehicles delivered to the buyer or leased vehicles for which the lease agreement was signed after the qualification period end date do not qualify for the exemption under this section.

(b) All leased vehicles that qualified for the exemption under this section before the qualification period end date must continue to receive the exemption as described under subsection (1)(b) of this section on any lease payments due through the remainder of the lease before October 1, 2031.

(9) This section expires October 1, 2031.

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

(1) Beginning October 1, 2021, beginning with sales made or lease agreements signed on or after the qualification period start date:

(a) The provisions of this chapter do not apply, when the requirements of (c) of this subsection are met, to the use of new or used passenger cars, light duty trucks, and medium duty passenger vehicles that:

(i)(A) Are exclusively powered by a clean alternative fuel; or

(B) Are powered by an internal combustion engine in combination with one or more electric motors that use energy stored in batteries; and

(ii)(A) Have a fair market value at the time use tax is imposed that does not exceed $25,000 for purchased vehicles; or

(B) Have a fair market value that does not exceed $25,000 for leased vehicles.

(b)(i) The exemption in this section is applicable to the total amount of the vehicle's purchase price, for sales made; or

(ii) The total lease payments made plus any additional purchase price of the leased vehicle if the original lessee purchases the leased vehicle before the qualification period end date, for lease agreements signed.

(c) To be eligible for a tax exemption under this section, the purchaser or lessee must be an individual, or an individual's spouse if the purchaser or lessee files a federal joint income tax return, who is eligible for and is granted the federal income tax credit provided in Title 26 U.S.C. Sec. 32, based on the most recently due federal income tax return.

(2)(a)(i) In order to claim the exemption under this section, a qualifying person must submit an application to the department for an exemption certificate. The application must include the information necessary, as required by the department, to determine that a person qualifies for the exemption under this section. The department must issue exemption certificates to qualifying persons. The department may assign a unique identification number to each exemption certificate issued under this section.

(ii) A qualifying person claiming the exemption under this section must present the seller with an exemption certificate in a form and manner prescribed by the department, except as provided in (d) of this subsection.

(b) The seller must keep records necessary for the department to verify eligibility under this section, including a copy of the exemption certificate required under (a) of this subsection for the seller's files, except as provided in (d) of this subsection.

(c) A person making exempt sales must also submit itemized information to the department for all vehicles for which an exemption is claimed that must include the following: Vehicle make; vehicle model; model year; whether the vehicle has been sold or leased; date of sale or start date of lease; length of lease; sales price for purchased vehicles and fair market value at the inception of the lease for leased vehicles; and the total amount qualifying for the incentive claimed for each vehicle, in addition to the future monthly amount to be claimed for each leased vehicle. This information must be provided in a form and manner prescribed by the department.

(d)(i) (a)(ii) and (b) of this subsection apply only if the seller or person claiming the exemption is a vehicle dealer, as defined in RCW 46.70.011. When the seller is not a vehicle dealer, a qualifying person claiming the exemption under this section must provide the exemption certificate issued by the department under (a)(i) of this subsection at the time of vehicle registration in a form and manner prescribed by the department.

(ii) The department of licensing must establish a process for granting the tax exemption under this section for use tax otherwise collected at the time the ownership of a vehicle is transferred when the vehicle qualifies for the use tax exemption under subsection (1)(a) of this section and, when a person claiming the exemption submits an exemption certificate under (d)(i) of this subsection to the department, must provide any information required under (a), (b), and (d)(i) of this subsection that it obtains as part of the vehicle titling and registration process on at least a quarterly basis.

(e) A qualifying person who does not present an exemption certificate at the time tax due under this chapter is imposed, and who pays this tax on an eligible vehicle, is eligible for a tax refund and may submit a refund request, along with a copy of the purchase contract and the information required under (c) of this subsection, to the department.

(3) On the last day of January, April, July, and October of each year, the state treasurer, based upon information provided by the department, must transfer from the electric vehicle account to the general fund a sum equal to the dollar amount that would otherwise have been deposited into the general fund during the prior calendar quarter but for the exemption provided in this section. Information provided by the department to the state treasurer must be based on the best available data.

(4) Neighborhood electric vehicles, as described in RCW 46.61.725, do not qualify for the tax exemption under this section.

(5)(a) Vehicles purchased or leased vehicles for which the lease agreement was signed after the qualification period end date do not qualify for the exemption under this section.

(b) All leased vehicles that qualified for the exemption under this section before the qualification period end date must continue to receive the exemption as described under subsection (1) of this section on any lease payments due through the remainder of the lease before October 1, 2031.

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

(7) This section expires October 1, 2031.

NEW SECTION. **Sec.**  This act takes effect October 1, 2021.

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