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**SENATE BILL 6080**

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**State of Washington 65th Legislature 2018 Regular Session**

**By** Senators Palumbo, Carlyle, Mullet, Wellman, Keiser, Billig, Nelson, McCoy, Liias, Van De Wege, Hunt, and Kuderer

AN ACT Relating to the electrification of transportation; amending RCW 43.19.648, 43.325.080, 28A.160.195, 19.27.540, 35.58.250, 82.04.4496, 82.08.809, 82.08.816, and 82.12.809; adding a new chapter to Title 70 RCW; creating new sections; providing an expiration date; and declaring an emergency.

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

**PART I**

**Public Agency Acquisition of Electric and Alternative Fuel Vehicles**

**Sec.**  RCW 43.19.648 and 2013 c 328 s 1 are each amended to read as follows:

(1) ((~~Effective June 1, 2015,~~)) All state agencies, to the extent determined practicable by the rules adopted by the department of commerce pursuant to RCW 43.325.080, are required to satisfy one hundred percent of their fuel usage for operating publicly owned vessels, vehicles, and construction equipment from electricity or biofuel. Compressed natural gas, liquefied natural gas, or propane may be substituted for electricity or biofuel if the department of commerce determines that electricity and biofuel are not reasonably available.

(2)(a) ((~~Effective June 1, 2018,~~)) All local government subdivisions of the state, to the extent determined practicable by the rules adopted by the department of commerce pursuant to RCW 43.325.080, are required to satisfy one hundred percent of their fuel usage for operating publicly owned vessels, vehicles, and construction equipment from electricity or biofuel.

(b) The department of commerce shall convene an advisory committee of representatives of local government subdivisions, representatives from organizations representing each local government subdivision, an organization focused on environmental policy, and either (i) an electric utility or (ii) a natural gas utility, or both, to work with the department to develop the rules. The department may invite additional stakeholders to participate in the advisory committee as needed and determined by the department.

((~~(b)~~)) (c) The following are exempt from this requirement: (i) Transit agencies using compressed natural gas on June 1, 2018, and (ii) engine retrofits that would void warranties. Nothing in this section is intended to require the replacement of equipment before the end of its useful life. Compressed natural gas, liquefied natural gas, or propane may be substituted for electricity or biofuel if the department of commerce determines that electricity and biofuel are not reasonably available.

((~~(c)~~)) (d)(i) Rules adopted pursuant to RCW 43.325.080 must provide the authority for local government subdivisions to elect to exempt police, fire, and other emergency response vehicles, including utility vehicles frequently used for emergency response, from the fuel usage requirement in (a) of this subsection.

(ii) Prior to executing its authority under ((~~(c)~~)) (d)(i) of this subsection, a local government subdivision must provide notice to the department of commerce of the exemption. The notice must include the rationale for the exemption and an explanation of how the exemption is consistent with rules adopted by the department of commerce.

((~~(d)~~)) (e) Before June 1, 2018, local government subdivisions purchasing vessels, vehicles, and construction equipment capable of using biodiesel must request warranty protection for the highest level of biodiesel the vessel, vehicle, or construction equipment is capable of using, up to one hundred percent biodiesel, as long as the costs are reasonably equal to a vessel, vehicle, or construction equipment that is not warranted to use up to one hundred percent biodiesel.

(3) In order to phase in this transition for the state, all state agencies, to the extent determined practicable by the department of commerce by rules adopted pursuant to RCW 43.325.080, are required to achieve forty percent fuel usage for operating publicly owned vessels, vehicles, and construction equipment from electricity or biofuel by June 1, 2013. Compressed natural gas, liquefied natural gas, or propane may be substituted for electricity or biofuel if the department of commerce determines that electricity and biofuel are not reasonably available. The department of enterprise services, in consultation with the department of commerce, shall report to the governor and the legislature by December 1, 2013, on what percentage of the state's fuel usage is from electricity or biofuel.

(4) Except for cars owned or operated by the Washington state patrol, when tires on vehicles in the state's motor vehicle fleet are replaced, they must be replaced with tires that have the same or better rolling resistance as the original tires.

(5) By December 31, 2015, the state must, to the extent practicable, install electrical outlets capable of charging electric vehicles in each of the state's fleet parking and maintenance facilities.

(6) The department of transportation's obligations under subsection (3) of this section are subject to the availability of amounts appropriated for the specific purpose identified in subsection (3) of this section.

(7) The department of transportation's obligations under subsection (5) of this section are subject to the availability of amounts appropriated for the specific purpose identified in subsection (5) of this section unless the department receives federal or private funds for the specific purpose identified in subsection (5) of this section.

(8) By December 1, 2020, December 1, 2023, and December 1, 2026, the department of commerce must provide a report to the appropriate committees of the legislature and the governor on the progress toward meeting the goals of subsections (1) and (2) of this section and recommendations for administrative, legislative, or budgetary actions to ensure the goals are met. The department shall continue providing updated reports by December 1st every three years until the goals of this act are fulfilled.

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

(a) "Battery charging station" means an electrical component assembly or cluster of component assemblies designed specifically to charge batteries within electric vehicles, which meet or exceed any standards, codes, and regulations set forth by chapter 19.28 RCW and consistent with rules adopted under RCW 19.27.540.

(b) "Battery exchange station" means a fully automated facility that will enable an electric vehicle with a swappable battery to enter a drive lane and exchange the depleted battery with a fully charged battery through a fully automated process, which meets or exceeds any standards, codes, and regulations set forth by chapter 19.28 RCW and consistent with rules adopted under RCW 19.27.540.

**Sec.**  RCW 43.325.080 and 2011 c 353 s 5 are each amended to read as follows:

(1) By ((~~June 1, 2010~~)) July 1, 2018, the department ((~~shall~~)) must adopt rules to define practicability and clarify how state agencies will be evaluated in determining whether they have met the goals set out in RCW 43.19.648(1). At a minimum, the rules must address:

(a) Criteria for determining how the goal in RCW 43.19.648(1) will be met ((~~by June 1, 2015~~));

(b) Factors considered to determine compliance with the goal in RCW 43.19.648(1), including but not limited to: The regional availability of fuels; vehicle costs; differences between types of vehicles, vessels, or equipment; the cost of program implementation; and cost differentials in different parts of the state; and

(c) A schedule for phased-in progress towards meeting the goal in RCW 43.19.648(1) that may include different schedules for different fuel applications or different quantities of biofuels.

(2) By June 1, ((~~2015~~)) 2018, the department ((~~shall~~)) must adopt rules to define practicability and clarify how local government subdivisions of the state will be evaluated in determining whether they have met the goals set out in RCW 43.19.648(2). At a minimum, the rules must address:

(a) Criteria for determining how the goal in RCW 43.19.648(2) will be met ((~~by June 1, 2018~~));

(b) Factors considered to determine compliance with the goal in RCW 43.19.648(2), including but not limited to: The regional availability of fuels; vehicle costs; differences between types of vehicles, vessels, or equipment; the cost of program implementation; and cost differentials in different parts of the state; and

(c) A schedule for phased-in progress towards meeting the goal in RCW 43.19.648(2) that may include different schedules for different fuel applications or different quantities of biofuels.

(3) A purchase by a state agency or local government is practicable when:

(a) A vehicle fueled by gasoline or diesel may be replaced by a vehicle fueled by a biofuel or electricity;

(b) The replacement vehicle meets the agency's or local government's duty standards;

(c) The cost of the replacement vehicle does not exceed the cost of a vehicle fueled by gasoline or diesel by more than five percent on a lifecycle basis. The lifecycle cost calculation must, at a minimum, take into account the following factors:

(i) Funding is provided by the state government, federal government, or other source to reduce the cost of the replacement vehicle to such a level;

(ii) Fuel costs, including projected increases or decreases in costs of different fuels; and

(iii) Maintenance savings or costs.

(4) By July 1, 2019, and by July 1st of each year thereafter, each state agency and each local government must submit a report to the department documenting its progress in meeting the fuel usage goals of RCW 43.19.648 (1) and (2). The department of commerce may reduce the frequency of reporting for any agency or local governments using less than fifty thousand gallons of fuel per year. The reports must describe the vehicles purchased and the reasons for purchasing gasoline or diesel fuel vehicles when it was determined that purchasing an alternative fuel or electric vehicle was not practicable.

**Sec.**  RCW 28A.160.195 and 2005 c 492 s 1 are each amended to read as follows:

(1) The superintendent of public instruction, in consultation with the regional transportation coordinators of the educational service districts, shall establish a minimum number of school bus categories considering the capacity and type of vehicles required by school districts in Washington. The superintendent, in consultation with the regional transportation coordinators of the educational service districts, shall establish competitive specifications for each category of school bus. The categories shall be developed to produce minimum long-range operating costs, including costs of equipment and all costs in operating the vehicles. The competitive specifications shall meet federal motor vehicle safety standards, minimum state specifications as established by rule by the superintendent, ((~~and~~)) supported options as determined by the superintendent in consultation with the regional transportation coordinators of the educational service districts, and incorporate the goals for replacing gasoline and diesel fuel vehicles under RCW 43.19.648(2). The superintendent may solicit and accept price quotes for a rear-engine category school bus that shall be reimbursed at the price of the corresponding front engine category.

(2) After establishing school bus categories and competitive specifications, the superintendent of public instruction shall solicit competitive price quotes for base buses from school bus dealers to be in effect for one year and shall establish a list of all accepted price quotes in each category obtained under this subsection. The superintendent shall also solicit price quotes for optional features and equipment.

(3) The superintendent shall base the level of reimbursement to school districts and educational service districts for school buses on the lowest quote for the base bus in each category. School districts and educational service districts shall be reimbursed for buses purchased only through a lowest-price competitive bid process conducted under RCW 28A.335.190 or through the state bid process established by this section. School districts and educational service districts must be reimbursed from funds appropriated from the clean energy account created in section 601 of this act for any additional costs to replace a diesel or gasoline bus with a bus powered by an alternative fuel, where the replacement contributes toward the district's compliance with the goals of RCW 43.19.648(2).

(4) Notwithstanding RCW 28A.335.190, school districts and educational service districts may purchase at the quoted price directly from any dealer who is on the list established under subsection (2) of this section. School districts and educational service districts may make their own selections for school buses, but shall be reimbursed at the rates determined under subsection (3) of this section and RCW 28A.160.200. District-selected options shall not be reimbursed by the state.

(5) This section does not prohibit school districts or educational service districts from conducting their own competitive bid process.

(6) The superintendent of public instruction may adopt rules under chapter 34.05 RCW to implement this section.

**PART II**

**Building and Electrical Codes**

**Sec.**  RCW 19.27.540 and 2009 c 459 s 16 are each amended to read as follows:

The building code council ((~~shall~~)) must adopt rules for electric vehicle infrastructure requirements, including rules that require electric vehicle charging capability at commercial developments, multifamily housing developments, and single-family housing developments. Rules adopted by the state building code council must consider applicable national and international standards and be consistent with rules adopted under RCW 19.28.281.

**PART III**

**Shared Employer Shuttles**

**Sec.**  RCW 35.58.250 and 1965 c 7 s 35.58.250 are each amended to read as follows:

(1) Except in accordance with an agreement made as provided herein, upon the effective date on which the metropolitan municipal corporation commences to perform the metropolitan transportation function, no person or private corporation ((~~shall~~)) must operate a local public passenger transportation service within the metropolitan area with the exception of taxis, buses owned or operated by a school district or private school, buses owned or operated by any corporation or organization for use as a shared employee shuttle, and buses owned or operated by any corporation or organization solely for the purposes of the corporation or organization and for the use of which no fee or fare is charged.

(2) An agreement may be entered into between the metropolitan municipal corporation and any person or corporation legally operating a local public passenger transportation service wholly within or partly within and partly without the metropolitan area and on said effective date under which such person or corporation may continue to operate such service or any part thereof for such time and upon such terms and conditions as provided in such agreement. Where any such local public passenger transportation service will be required to cease to operate within the metropolitan area, the commission may agree with the owner of such service to purchase the assets used in providing such service, or if no agreement can be reached, the commission shall condemn such assets in the manner provided herein for the condemnation of other properties.

(3) Wherever a privately owned public carrier operates wholly or partly within a metropolitan municipal corporation, the Washington utilities and transportation commission shall continue to exercise jurisdiction over such operation as provided by law.

**PART IV**

**Charge Ahead Washington Program**

NEW SECTION. **Sec.**  The definitions in this section apply throughout this chapter unless the context clearly requires otherwise.

(1) "Area median income" means the median income for the metropolitan statistical area in which a household is located or, if the household is not located within a metropolitan statistical area, for the metropolitan statistical area in closest proximity to the location of the household, as determined by the office of financial management, adjusted for household size.

(2) "Department" means the department of commerce.

(3) "Charge ahead rebate" means a rebate for the purchase of a new or used light-duty zero-emission vehicle issued through the charge ahead Washington program established under section 402 of this act.

(4) "High-emission passenger motor vehicle" means a motor vehicle that is:

(a) Designed primarily for the transportation of persons; and

(b) Powered by an internal combustion engine that is ten years old or older.

(5) "Low-income household" means a household with income less than or equal to eighty percent of the area median income.

(6) "Moderate income household" means a household with income less than or equal to one hundred twenty percent and greater than eighty percent of the area median income.

NEW SECTION. **Sec.**  (1) The department must establish a charge ahead Washington program to provide for charge ahead rebates to low-income households and moderate-income households that voluntarily retire or scrap high-emission passenger motor vehicles and replace those motor vehicles with new or used light-duty zero-emission vehicles. The director of the department may hire or contract with a third-party nonprofit organization to implement and serve as the administrator of the program required by this section.

(2) The department may:

(a) Specify design features for the program; and

(b) Establish procedures to:

(i) Prioritize available moneys to specific income levels or geographic areas; and

(ii) Limit the number of charge ahead rebates available subject to funds appropriated for the charge ahead Washington program.

(3) An eligible purchaser or lessee of a new or used light-duty zero-emission vehicle may apply for a charge ahead rebate for a portion of the purchase price or may choose to assign the charge ahead rebate to a vehicle dealer or lessor.

(4) Rebates under the charge ahead Washington program must be made from moneys credited to or deposited in the clean energy account created in section 601 of this act. A rebate may not be made until there are sufficient moneys available in the clean energy account to make the rebate.

(5) The department must prescribe the rebate application procedure for purchasers and lessees. All rebate applications must include a declaration under penalty of perjury.

(6) Charge ahead rebates must be in an amount up to five thousand dollars, but not less than one thousand two hundred fifty dollars.

(7) To be eligible for a charge ahead rebate, a person requesting a rebate under the program must:

(a) Be a member of a low-income household or a moderate-income household.

(b) Reside in a census tract that has been identified by the department of health as having elevated concentrations of air contaminants commonly attributable to motor vehicle emissions, such as particulate matter, benzene and nitrogen oxides, relative to other areas of the state.

(c) Document that the person will scrap or otherwise render inoperable a high-emission passenger motor vehicle that, on the date of the rebate application, is registered as operable and has been continuously registered for the last two years.

(d) Purchase or lease a new or used light-duty zero-emission vehicle. A lease must have a minimum term of twenty-four months.

(e) Provide proof of an intent to use the light-duty zero-emission vehicle primarily on the public highways of this state, which may be satisfied by providing proof of registration of the vehicle in Washington.

(f) Submit an application for a charge ahead rebate to the administrator of the program within six months of the date of purchase or six months from the date the lease begins.

(g) Retain registration of the light-duty zero-emission vehicle for a minimum of twenty-four consecutive months following the date of purchase or following the date the lease begins.

(8) A person that receives a charge ahead rebate may not make or allow any modifications to the vehicle's emissions control systems, hardware, software calibrations, or hybrid system.

(9) If a charge ahead rebate recipient intends to sell the vehicle, or otherwise terminate the vehicle lease before the end of twenty-four months, the charge ahead rebate recipient shall notify the administrator of the program of the recipient's intent to sell the vehicle or terminate a lease and must reimburse the administrator for the entire charge ahead rebate amount.

(10) Charge ahead rebate recipients may be requested to participate in ongoing research efforts.

(11) The administrator of the program must work to ensure timely payment of charge ahead rebates with a goal of paying rebates within sixty days of receiving an application for a charge ahead rebate.

(12) In establishing the charge ahead Washington program, the department shall provide opportunities for public comment by low-income households, moderate-income households, and community based organizations that are located in areas of this state that have elevated concentrations of air contaminants attributable to motor vehicle emissions, relative to other areas of the state. The department must use the comments received pursuant to this subsection to inform, evaluate, and strengthen the design of the program in order to increase the usage of light-duty zero-emission vehicles.

(13) The administrator of the program must, throughout the course of implementing the program, conduct community outreach to low-income households, moderate-income households, and community based organizations that are located in areas of this state that have elevated concentrations of air contaminants attributable to motor vehicle emissions, relative to other areas of the state, in order to:

(a) Solicit feedback on program implementation; and

(b) Take steps to ensure that the program is promoted effectively.

(14) A vehicle dealer may advertise the charge ahead Washington program on the premises owned or operated by the vehicle dealer. If no money is available from the program or the program otherwise changes, a vehicle dealer who advertises the program may not be held liable for advertising false or misleading information.

(15) An organization that the department has hired or contracted with to implement and serve as the administrator of the program may offer expanded financing mechanisms for program participants, including but not limited to a loan or loan-loss reserve credit enhancement program, to increase consumer access to new or used light-duty zero-emission vehicles.

(16) The department may adopt rules as necessary to carry out the provisions of this section.

(17) The department must periodically audit the charge ahead Washington program established in this section to determine whether the program is being implemented and administered according to this section. By September 15th of each even-numbered year, the department shall provide a report to the legislature that includes at a minimum:

(a) The amount of money spent on rebates under subsection (4) of this section;

(b) An analysis of the effectiveness of the rebate program established under this section;

(c) Recommendations, which may include recommendations for legislation, on ways to improve the charge ahead Washington program established under this section; and

(d) The results of any audits conducted under this subsection.

**PART V**

**Electric and Alternative Vehicle Sales Tax Credits**

NEW SECTION. **Sec.**  This section is the tax preference performance statement for the tax preferences contained in sections 502 and 503, chapter . . ., Laws of 2018 (sections 502 and 503 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.

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

(2) It is the legislature's specific public policy objective to increase the use of clean alternative fuel vehicles in Washington. It is the legislature's intent to make permanent the existing sales and use tax exemption on certain clean alternative fuel vehicles in order to reduce the price charged to customers for clean alternative fuel vehicles.

(3) To measure the effectiveness of the tax preferences in sections 502 and 503, chapter . . ., Laws of 2018 (sections 502 and 503 of this act) in achieving the public policy objectives described in subsection (2) of this section, the joint legislative audit and review committee must evaluate the number of clean alternative fuel vehicles titled in the state in calendar year 2023.

(4) In order to obtain the data necessary to perform the review in subsection (3) of this section, the department of licensing 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.

**Sec.**  RCW 82.04.4496 and 2017 c 116 s 1 are each amended to read as follows:

(1)(a) A person who is taxable under this chapter is allowed a credit against the tax imposed in this chapter according to the gross vehicle weight rating of the vehicle and the incremental cost of the vehicle purchased above the purchase price of a comparable conventionally fueled vehicle. The credit is limited, as set forth in the table below, to the lesser of the incremental cost amount or the maximum credit amount per vehicle purchased, and subject to a maximum 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~~)) 100% of incremental cost | $25,000 | ((~~$2,000,000~~)) $20,000,000 |
| 14,001 to 26,500 pounds | ((~~50~~)) 100% of incremental cost | ((~~$50,000~~)) $40,000 | ((~~$2,000,000~~)) $10,000,000 |
| Above 26,500 pounds | ((~~50~~)) 100% of incremental cost | ((~~$100,000~~)) $50,000 | ((~~$2,000,000~~)) $10,000,000 |

(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) Any unused credits from any weight class identified in the table in (a) of this subsection at the end of each year must be made available for construction or conversion of off-road equipment, including construction equipment, rail equipment, aircraft, or vessels. The department must convene a work group including representatives of the construction industry, rail carriers, aircraft manufacturers or operators, and vessel manufacturers or operators to determine how to provide awards that cover the incremental cost of alternative fuel conversions or construction.

(d) 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.

(e) Every four years, the department must review the credits claimed, incremental costs of alternative fuel vehicles, and recommend changes to the incentive levels for each class of vehicle to the legislature in order to promote cost-efficient conversions.

(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~~)) fifty thousand dollars or ((~~thirty~~)) one hundred 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 as provided or approved by the department. No refunds may be granted for credits under this section.

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

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

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

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

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

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

(v) The anticipated delivery date of the vehicle;

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

(vii) The gross weight of each vehicle;

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

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

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

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

(ii) The anticipated delivery date of the vehicle, which must be within one year of acceptance of the credit; and

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

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

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

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

(iii) The vehicle identification number of each vehicle;

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

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

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

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

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

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

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

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

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

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

(12)(a) Taxpayers are only eligible for a credit under this section based on:

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

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

(b) A credit is earned when the purchaser or the lessee takes receipt of the qualifying commercial vehicle or the conversion is complete.

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

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

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

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

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

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

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

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

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

(f) "Qualifying used commercial vehicle" means vehicles that:

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

(ii) Are less than ten years past their original date of manufacture;

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

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

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

(16) Credits may be earned under this section from January 1, 2016, through January 1, ((~~2021~~)) 2030, except for credits for leased vehicles, which may be earned from July 1, 2016, through January 1, 2021.

(17) Credits earned under this section may not be used after January 1, ((~~2022~~)) 2030.

(18) This section expires January 1, ((~~2022~~)) 2030.

**Sec.**  RCW 82.08.809 and 2016 sp.s. c 32 s 2 are each amended to read as follows:

(1)(a) Except as provided in subsection (4) of this section, the tax levied by RCW 82.08.020 does not apply to sales of new or used passenger cars, light duty trucks, ((~~and~~)) medium duty passenger vehicles, medium duty trucks, and heavy duty trucks, which (i) are exclusively powered by a clean alternative fuel or (ii) use at least one method of propulsion that is capable of being reenergized by an external source of electricity and are capable of traveling at least thirty miles using only battery power and predominately travel within the state of Washington over their useable lifetime.

(b) Beginning with sales made or lease agreements signed on or after July 1, 2016, the exemption in this section is only applicable for:

(i) New or used passenger cars, light duty trucks, and medium duty passenger vehicles for up to thirty-two thousand dollars of a vehicle's selling price or the total lease payments made plus the selling price of the leased vehicle ((~~if the original lessee purchases the leased vehicle before the expiration of the exemption as described in subsection (6) of this section~~)); and

(ii) New or used medium and heavy duty trucks for up to one hundred twenty-five thousand dollars of the vehicle's selling price or the total lease payments made plus the selling price of the leased vehicle.

(2) The seller must keep records necessary for the department to verify eligibility under this section.

(3) As used in this section, "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, 2005, and the rules of the Washington state department of ecology.

(4)(a) A sale, other than a lease, of a vehicle identified in subsection (1)(a) of this section made on or after July 15, 2015, and before July 1, 2016, is not exempt from sales tax as described under subsection (1) of this section if the selling price of the vehicle plus trade-in property of like kind exceeds thirty-five thousand dollars.

(b) A sale, other than a lease, of a vehicle identified in subsection (1)(a) of this section made on or after July 1, 2016, ((~~and before the expiration of the exemption as described in subsection (6) of this section,~~)) is not exempt from sales tax as described under subsection (1)(b) of this section if, at the time of sale, the lowest manufacturer's suggested retail price, as determined in rule by the department of licensing pursuant to chapter 34.05 RCW, for the base model is more than ((~~forty-two thousand five hundred dollars~~)):

(i) Fifty thousand dollars for passenger cars, light duty trucks, and medium duty passenger vehicles; or

(ii) One hundred fifty thousand dollars for medium and heavy duty trucks.

(c) For leased vehicles for which the lease agreement was signed before July 1, 2015, lease payments are exempt from sales tax as described under subsection (1)(a) of this section regardless of the vehicle's fair market value at the inception of the lease.

(d) For leased vehicles identified in subsection (1)(a) of this section for which the lease agreement is signed on or after July 15, 2015, and before July 1, 2016, lease payments are not exempt from sales tax if the fair market value of the vehicle being leased exceeds thirty-five thousand dollars at the inception of the lease. For the purposes of this subsection (4), "fair market value" has the same meaning as "value of the article used" in RCW 82.12.010.

(e) For leased vehicles identified in subsection (1)(a) of this section for which the lease agreement is signed on or after July 1, 2016, ((~~and before the expiration of the exemption as described in subsection (6) of this section,~~)) lease payments are not exempt from sales tax as described under subsection (1)(b) of this section if, at the inception of the lease, the lowest manufacturer's suggested retail price, as determined in rule by the department of licensing pursuant to chapter 34.05 RCW, for the base model is more than ((~~forty-two thousand five hundred dollars~~)):

(i) Fifty thousand dollars for passenger cars, light duty trucks, and medium duty passenger vehicles; or

(ii) One hundred fifty thousand dollars for medium and heavy duty trucks.

(f) The department of licensing must maintain and publish a list of all vehicle models qualifying for the sales tax exemption under this section ((~~until the expiration of the exemption as described in subsection (6) of this section~~)).

(5)(a) On the last day of January, April, July, and October of each year until the department receives notice from the department of licensing under subsection (6)(b) of this section that the cumulative number of seven thousand five hundred qualifying vehicles has been reached, the state treasurer, based upon information provided by the department, must transfer from the multimodal transportation 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.

(b) Once the cumulative number of seven thousand five hundred qualifying vehicles under subsection (6)(b) of this section has been reached, 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 clean energy account created in section 601 of this act 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.

(c) 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. For purposes of this section, the first transfer for the calendar quarter after July 15, 2015, must be calculated assuming only those revenues that should have been deposited into the general fund beginning July 1, 2015.

(6)(a) ((~~The exemption under this section expires, effective with sales of vehicles delivered to the buyer or leased vehicles for which the lease agreement was signed, after the last day of the calendar month immediately following the month the department receives notice from the department of licensing under subsection (7)(b) of this section. All leased vehicles that qualified for the exemption before the expiration of the exemption must continue to receive the exemption as described under subsection (1)(b) of this section on lease payments due through the remainder of the lease.~~

~~(b) Upon receiving notice from the department of licensing under subsection (7)(b) of this section, the department must provide notice as soon as is practicable on its web site of the expiration date of the exemption under this section.~~

~~(c) For purposes of this subsection, even if the department of licensing provides the department with notice under subsection (7)(b) of this section before the end of the fifth working day of the month notice is required, the notice is deemed to have been received by the department at the end of the fifth working day of the month notice is required.~~

~~(d) If, by the end of the fifth working day of May 2019, the department has not received notice from the department of licensing under subsection (7)(b) of this section, the exemption under this section expires effective with sales of vehicles delivered to the buyer or leased vehicles for which the lease agreement was signed after June 30, 2019.~~

~~(e) Nothing in this subsection (6) may be construed to affect the validity of any exemption properly allowed by a seller under this section before the expiration of the exemption as described in (a) of this subsection and reported to the department on returns filed after the expiration of the exemption.~~

~~(f) Nothing in this subsection (6) may be construed to allow an exemption under this section for the purchase of a qualifying vehicle by the original lessee of the vehicle after the expiration of the exemption as provided in (a) of this subsection.~~

~~(7)(a)~~)) By the end of the fifth working day of each month, ((~~until the expiration of the exemption as described in subsection (6) of this section,~~)) the department of licensing must determine the cumulative number of qualifying vehicles titled on or after July 15, 2015, and provide notice of the cumulative number of these vehicles to the department.

(b) The department of licensing must notify the department once the cumulative number of qualifying vehicles titled in the state on or after July 15, 2015, equals or exceeds seven thousand five hundred.

((~~(8)~~)) (7) By the last day of July 2016, and every six months thereafter ((~~until the expiration of the exemption as described in subsection (6) of this section,~~)) based on the best available data, the department must report the following information to the transportation committees of the legislature: The cumulative number of qualifying vehicles titled in the state on or after July 15, 2015, as reported to it by the department of licensing; and the dollar amount of all state retail sales and use taxes exempted on or after July 15, 2015, under this section and RCW 82.12.809.

((~~(9)~~)) (8) For purposes of this section, "qualifying vehicle" means a vehicle qualifying for the exemption under this section or RCW 82.12.809 in which the sale was made or the lease agreement was signed on or after July 15, 2015.

**Sec.**  RCW 82.08.816 and 2009 c 459 s 4 are each amended to read as follows:

(1) The tax imposed by RCW 82.08.020 does not apply to:

(a) The sale of batteries for electric vehicles when purchased separately from a vehicle;

(b) The sale of or charge made for labor and services rendered in respect to installing, repairing, altering, or improving electric vehicle batteries when purchased separately from a vehicle;

(c) The sale of or charge made for labor and services rendered in respect to installing, constructing, repairing, or improving electric vehicle infrastructure; and

(d) The sale of tangible personal property that will become a component of electric vehicle infrastructure during the course of installing, constructing, repairing, or improving electric vehicle infrastructure.

(2) Sellers may make tax exempt sales under this section only if the buyer provides the seller with an exemption certification in a form and manner prescribed by the department. The seller must retain a copy of the certificate for the seller's files.

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

(a) "Battery charging station" means an electrical component assembly or cluster of component assemblies designed specifically to charge batteries within electric vehicles, which meet or exceed any standards, codes, and regulations set forth by chapter 19.28 RCW and consistent with rules adopted under RCW 19.27.540.

(b) "Battery exchange station" means a fully automated facility that will enable an electric vehicle with a swappable battery to enter a drive lane and exchange the depleted battery with a fully charged battery through a fully automated process, which meets or exceeds any standards, codes, and regulations set forth by chapter 19.28 RCW and consistent with rules adopted under RCW 19.27.540.

(c) "Electric vehicle infrastructure" means structures, machinery, and equipment necessary and integral to support an electric vehicle, including battery charging stations, rapid charging stations, and battery exchange stations.

(d) "Rapid charging station" means an industrial grade electrical outlet that allows for faster recharging of electric vehicle batteries through higher power levels, which meets or exceeds any standards, codes, and regulations set forth by chapter 19.28 RCW and consistent with rules adopted under RCW 19.27.540.

(4) This section expires January 1, 2020.

**Sec.**  RCW 82.12.809 and 2016 sp.s. c 32 s 3 are each amended to read as follows:

(1)(a) Except as provided in subsection (4) of this section, the provisions of this chapter do not apply in respect to the use of new or used passenger cars, light duty trucks, ((~~and~~)) medium duty passenger vehicles, medium duty trucks, and heavy duty trucks, which (i) are exclusively powered by a clean alternative fuel or (ii) use at least one method of propulsion that is capable of being reenergized by an external source of electricity and are capable of traveling at least thirty miles using only battery power and predominately travel within the state of Washington over their useable lifetime.

(b) Beginning with purchases made or lease agreements signed on or after July 1, 2016, the exemption in this section is only applicable for:

(i) New or used passenger cars, light duty trucks, and medium duty passenger vehicles for up to thirty-two thousand dollars of a vehicle's purchase price or the total lease payments made plus the purchase price of the leased vehicle ((~~if the original lessee purchases the leased vehicle before the expiration of the exemption as described in RCW 82.08.809(6)~~)); and

(ii) New or used medium and heavy duty trucks for up to one hundred twenty-five thousand dollars of the vehicle's selling price or the total lease payments made plus the selling price of the leased vehicle.

(2) The definitions in RCW 82.08.809 apply to this section.

(3) A taxpayer is not liable for the tax imposed in RCW 82.12.020 on the use((~~, on or after the expiration of the exemption as described in RCW 82.08.809(6),~~)) of a passenger car, light duty truck, or medium duty passenger vehicle that is exclusively powered by a clean alternative fuel or uses at least one method of propulsion that is capable of being reenergized by an external source of electricity and is capable of traveling at least thirty miles using only battery power, if the taxpayer used such vehicle in this state ((~~before the expiration of the exemption as described in RCW 82.08.809(6),~~)) and the use was exempt under this section from the tax imposed in RCW 82.12.020.

(4)(a) For vehicles identified in subsection (1)(a) of this section purchased on or after July 1, 2016, ((~~and before the expiration of the exemption as described in RCW 82.08.809(6),~~)) or for leased vehicles identified in subsection (1)(a) of this section for which the lease agreement was signed on or after July 1, 2016, ((~~and before the expiration of the exemption as described in RCW 82.08.809(6),~~)) a vehicle is not exempt from use tax as described under subsection (1)(b) of this section if, at the time the tax is imposed for purchased vehicles or at the inception of the lease for leased vehicles, the lowest manufacturer's suggested retail price, as determined in rule by the department of licensing pursuant to chapter 34.05 RCW, for the base model is more than ((~~forty-two thousand five hundred dollars~~)):

(i) Fifty thousand dollars for passenger cars, light duty trucks, and medium duty passenger vehicles; or

(ii) One hundred fifty thousand dollars for medium and heavy duty trucks.

(b) For vehicles identified in subsection (1)(a) of this section purchased on or after July 15, 2015, and before July 1, 2016, or for leased vehicles identified in subsection (1)(a) of this section for which the lease agreement was signed on or after July 15, 2015, and before July 1, 2016, a vehicle is not exempt from use tax if the fair market value of the vehicle exceeds thirty-five thousand dollars at the time the tax is imposed for purchased vehicles, or at the inception of the lease for leased vehicles.

(c) For leased vehicles for which the lease agreement was signed before July 1, 2015, lease payments are exempt from use tax as described under subsection (1)(a) of this section regardless of the vehicle's fair market value at the inception of the lease.

(5)(a) On the last day of January, April, July, and October of each year until the department receives notice from the department of licensing under RCW 82.08.809(6)(b) that the cumulative number of seven thousand five hundred qualifying vehicles has been reached, the state treasurer, based upon information provided by the department, must transfer from the multimodal transportation 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.

(b) Once the cumulative number of seven thousand five hundred qualifying vehicles under RCW 82.08.809(6)(b) has been reached, 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 clean energy account created in section 601 of this act 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.

(c) Information provided by the department to the state treasurer must be based on the best available data. For purposes of this section, the first transfer for the calendar quarter after July 15, 2015, must be calculated assuming only those revenues that should have been deposited into the general fund beginning July 1, 2015.

((~~(6)(a) The exemption provided under this section does not apply to the use of new passenger cars, light duty trucks, and medium duty passenger vehicles, or lease payments due on such vehicles, if the date of sale of the vehicle from the seller to the buyer occurred or the lease agreement was signed after the expiration of the exemption as provided in RCW 82.08.809(6).~~

~~(b) All leased vehicles that qualified for the exemption before the expiration of the exemption must continue to receive the exemption as described under subsection (1)(b) of this section on lease payments due through the remainder of the lease.~~

~~(c) Nothing in this subsection (6) may be construed to allow an exemption under this section for the purchase of a qualifying vehicle by the original lessee of the vehicle after the expiration of the exemption.~~))

**PART VI**

**Clean Energy Account**

NEW SECTION. **Sec.**  The clean energy account is created in the state treasury. Moneys in the account may be spent only after appropriation. Expenditures from the account may only be used for alternative fuel vehicle incentives.

**PART VII**

**Miscellaneous Provisions**

NEW SECTION. **Sec.**  The provisions of RCW 82.32.805(1)(a) do not apply to this act.

NEW SECTION. **Sec.**  Sections 401, 402, and 601 of this act constitute a new chapter in Title 70 RCW.

NEW SECTION. **Sec.**  If any provision of this act or its application to any person or circumstance is held invalid, the remainder of the act or the application of the provision to other persons or circumstances is not affected.

NEW SECTION. **Sec.**  Sections 503 and 505 of this act are necessary for the immediate preservation of the public peace, health, or safety, or support of the state government and its existing public institutions, and take effect immediately.

**--- END ---**