

SENATE BILL REPORT

HB 2653

As of March 3, 2018

Title: An act relating to modifying the alternative fuel vehicle sales and use tax exemptions for the purposes of expanding the exemptions and amending related provisions.

Brief Description: Modifying the alternative fuel vehicle sales and use tax exemptions for the purposes of expanding the exemptions and amending related provisions.

Sponsors: Representatives Fey, Orcutt and McBride.

Brief History: Passed House: 2/27/18, 86-12.

Committee Activity: Transportation: 3/03/18.

Brief Summary of Bill

- Extends the alternative fuel vehicle retail sales and use tax exemption termination date to June 30, 2021.
- Eliminates the early termination of the exemption based on the number of qualifying vehicles reaching 7500 vehicles.

SENATE COMMITTEE ON TRANSPORTATION

Staff: Bryon Moore (786-7726)

Background: Tax Exemption Qualification. A retail sales and use tax exemption is provided for new passenger cars, light duty trucks, and medium duty passenger vehicles that: (1) have a selling price plus trade-in property value or that have a base model Manufacturer's Suggested Retail Price (MSRP) of \$42,500 or less; and (2) are either exclusively powered by a clean alternative fuel or 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 30 miles using only battery power. Tax exemption eligibility is capped at \$32,000 per eligible vehicle.

The Department of Licensing (DOL) is required to maintain a list of the models that may qualify for this exemption and to determine the lowest MSRP for each model for the purpose of establishing whether the model qualifies for the exemption based on its MSRP. DOL must also determine the cumulative number of qualifying vehicles titled in Washington on or after

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July 15, 2015, and to provide this information to the Department of Revenue (DOR) by the end of the fifth working day of each month.

Qualification Expiration. To qualify for this exemption, a vehicle must be purchased or a lease agreement signed by the end of the month following the month in which DOL determines that 7500 vehicles eligible for the exemption have been titled in the state since July 15, 2015, and in which DOL provides notification of this fact to DOR. DOR must post notice of the expiration date of the exemption on its website as soon as can practically be done after receiving notification from DOL. If 7500 qualifying vehicles have not been titled by June 30, 2019, no additional vehicles will be permitted to qualify after that date. Leased vehicles that qualified for the exemption before its expiration will continue to receive the tax exemption for all lease payments due through the life of the lease.

Lease agreements for vehicles that were eligible for an exemption signed on or after July 15, 2015, and before July 1, 2016, are required to have an adjusted fair market value of \$35,000 or less at the time the lease agreement was signed to maintain the exemption. A complete retail sales and use tax exemption for lease agreements signed prior to July 1, 2015, is in place for those vehicles.

As of December 31, 2017, 6448 vehicles eligible for the exemption had been titled in the state since July 15, 2015.

Multimodal Transportation Account Backfill. On a quarterly basis, the State Treasurer is required to 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 for electric vehicle purchases or leases.

Reporting Requirement. Beginning on the last day of July 2016 and every six months thereafter, DOR is required to report to the transportation committees of the Legislature the number of vehicles eligible for the exemption that have been titled in the state and the amount of state retail sales and use taxes exempted.

Tax Preference Performance Statement. The public policy objective of this exemption is to increase the use of clean alternative fuel and electrically powered vehicles in Washington. The Joint Legislative and Audit Review Committee must periodically evaluate the number of these vehicles titled in the state.

Summary of Bill: Qualification Expiration. The alternative fuel vehicle retail sales and use tax exemption is extended to June 30, 2021 for vehicles purchased or leased by this date. The early termination of the exemption based on reaching 7500 qualifying vehicles is removed.

Reporting Requirement. The semi-annual reporting requirement by DOR to the transportation committees of the Legislature is eliminated. DOR is no longer required to report to the Legislature the number of vehicles eligible for the exemption that have been titled in the state and the amount of state retail sales and use taxes exempted.

Tax Preference Performance Statement. The tax preference performance statement currently in law is restated to apply to the longer term of the retail sales and use tax exemption.

Appropriation: None.

Fiscal Note: Available.

Creates Committee/Commission/Task Force that includes Legislative members: No.

Effective Date: The bill contains an emergency clause and takes effect immediately.

Staff Summary of Public Testimony: PRO: We have a successful program that is moving the market. Electric vehicles create a better environment and are good for business in the state of Washington. Due to the environmental benefits and reduced air pollution from electric vehicles, this is a public health bill. The federal tax incentives will begin to phase out and the state incentive needs to continue to support this important industry. As a result of the incentive, much progress has been made towards the executive branch goal of 50,000 electric vehicles. It is important for this growth to continue and the extension of this tax incentive is part of that effort.

CON: The tax incentive should not be paid from the Multimodal Transportation Account. The activities funded from the account are underfunded and this bill exacerbates that problem. There is too much focus on highways in our transportation policy. This bill will undermine the investment in other alternatives, such as transit, bike, and pedestrian projects. This bill does not address the fundamental problem of urban sprawl and the need to reduce the number of vehicles on the road. This tax incentive creates an equity issue, since transit is more important to households of lower incomes.

Persons Testifying: PRO: Representative Jake Fey, Prime Sponsor; Craig Kenworthy, Puget Sound Clean Air Agency; Mel Sorensen, Pacific Propane Gas Association; Charles Knutson, Office of the Governor; Joanna Grist, Forth; Michael Mann, Nissan of North America; Jeff Gombosky, Tesla; Mike Ennis, Association of Washington Business; Charlie Brown, Cascade Natural Gas; Michael Transue, Association of Global Automakers; Becky Bogard, General Motors.

CON: Abigail Doerr, Transportation Choices Coalition; Bryce Yadon, Futurewise; Alex Alston, Washington Bikes; Justin Leighton, Washington State Transit Association; Bruce Wishart, Sierra Club.

Persons Signed In To Testify But Not Testifying: No one.