

SENATE BILL REPORT

SHB 2486

As Reported by Senate Committee On:
Ways & Means, March 11, 2020

Title: An act relating to extending the electric marine battery incentive.

Brief Description: Extending the electric marine battery incentive.

Sponsors: House Committee on Finance (originally sponsored by Representatives Lekanoff, Fitzgibbon, Leavitt, Doglio, Ramel and Hudgins; by request of Governor Inslee).

Brief History: Passed House: 3/10/20, 93-4.

Committee Activity: Ways & Means: 3/11/20, 3/11/20 [DPA, w/oRec].

Brief Summary of Amended Bill

- Extends the expiration date for the vessel electric propulsion system retail sales and use tax exemption to July 1, 2030.

SENATE COMMITTEE ON WAYS & MEANS

Majority Report: Do pass as amended.

Signed by Senators Rolfes, Chair; Frockt, Vice Chair, Operating, Capital Lead; Mullet, Capital Budget Cabinet; Braun, Ranking Member; Brown, Assistant Ranking Member, Operating; Honeyford, Assistant Ranking Member, Capital; Billig, Carlyle, Conway, Darneille, Dhingra, Hunt, Keiser, Muzzall, Pedersen, Schoesler, Van De Wege, Wagoner, Warnick and Wilson, L..

Minority Report: That it be referred without recommendation.

Signed by Senator Hasegawa.

Staff: Alia Kennedy (786-7405)

Background: Sales and Use Tax. Retail sales taxes are imposed on retail sales of most articles of tangible personal property, digital products, and some services. A retail sale is a sale to the final consumer or end user of the property, digital product, or service. If retail sales taxes were not collected when the user acquired the property, digital products, or services, then use taxes apply to the value when used in this state. The state, most cities, and

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all counties levy retail sales and use taxes. The state sales and use tax rate is 6.5 percent. Local sales and use tax rates vary depending on the location.

Vessel Electric Propulsion System Retail Sales and Use Tax Exemption. In 2019, the Legislature established a retail sales and use tax exemption for new battery-powered electric marine propulsion systems with continuous power greater than 15 kilowatts, and new vessels equipped with a battery-powered electric marine propulsion system with continuous power greater than 15 kilowatts.

A battery-powered electric marine propulsion system is a fully electric outboard or inboard motor used by vessels, the sole source of propulsive power of which is the energy stored in the battery packs, including required accessories.

At the end of each quarter, the state treasurer is required to transfer from the Multimodal Transportation Account to the State General Fund the amount that would otherwise have been deposited in the State General Fund if not for this tax exemption.

The tax exemption for vessel electric propulsion systems expires July 1, 2025.

Tax Preference Performance Requirements. State law provides for a range of tax preferences that confer reduced tax liability for certain designated taxpayers. Tax preferences include tax exclusions, deductions, exemptions, preferential tax rates, deferrals, and credits. Unless specifically exempted otherwise, legislation establishing or expanding a tax preference must include a tax preference performance statement identifying its public policy objective and provides certain metrics used by the Joint Legislative Audit and Review Committee (JLARC) in evaluating the effectiveness of the preference. If an exemption or specific expiration date is not provided in the enacting legislation, all new tax preferences automatically expire after ten years.

Summary of Amended Bill: The retail sales and use tax exemption for vessel electric propulsion systems is extended to July 1, 2030.

The exemption is expanded to include the sale of:

- batteries and battery packs used to power electric marine propulsion systems or hybrid electric marine propulsion systems with a continuous power greater than fifteen kilowatts, including the labor and services rendered in respect to installing, repairing, altering, or improving batteries or battery packs; and
- new shoreside batteries purchased and installed for the purpose of reducing grid demand when charging electric and hybrid vessels, including the labor and services rendered in respect to installing, repairing, altering, or improving shoreside batteries or shoreline battery infrastructure.

"Battery" is defined as a secondary battery or storage cell that can be charged, discharged into a load, and recharged many times, and includes one of several different combinations of electrode materials and electrolytes.

"Battery pack" is defined as a group of any number of secondary or rechargeable batteries within a casing and used as a power source for battery-powered electric marine propulsion systems.

"Hybrid electric marine propulsion system" is defined as a propulsion system that includes two or more sources of propulsion in one design, one of which must be electric.

"Shoreside batteries" is defined as batteries installed at a dock or similar location to provide an electric charge to a vessel powered by an electric marine propulsion system.

"Shoreside batteries infrastructure" is defined as the shoreside battery bank, charging apparatus, and emergency services generator.

The requirement that the state treasurer transfer from the Multimodal Transportation Account to the State General Fund the amount that would otherwise have been deposited in the State General Fund if not for the tax exemption is removed.

If review by JLARC finds that jobs in Washington associated with electric marine battery manufacturing and the construction of new electric ferries using electric battery power are created and retained, then the Legislature intends to extend the expiration date of these tax preferences.

EFFECT OF WAYS & MEANS COMMITTEE AMENDMENT(S):

- Clarifies the retail sales and use tax exemptions for batteries and battery packs for electric and hybrid electric vessels, including installation, repair, or alteration of such batteries.
- Clarifies the retail sales and use tax exemptions for shoreside batteries and infrastructure to charge electric and hybrid electric vessels, including installation, repair, or alteration of such batteries.
- Restores the definition of battery-powered electric marine propulsion system as provided in statute.
- Adds a definition for hybrid electric marine propulsion system.
- Changes the exemption expiration date from July 1, 2035, to July 1, 2030.

Appropriation: None.

Fiscal Note: Available.

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

Effective Date: The bill takes effect on July 1, 2020.

Staff Summary of Public Testimony on Substitute House Bill: *The committee recommended a different version of the bill than what was heard.* PRO: This bill is good for industry development and competitiveness. The sales and use tax exemption is at the benefit of the consumer.

Persons Testifying: PRO: Rick Anderson, Department of Commerce; Sean Connell, LAVLE, Vice President of Government and Public Relations.

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