
SUBSTITUTE SENATE BILL 5336

State of Washington

66th Legislature

2019 Regular Session

By Senate Environment, Energy & Technology (originally sponsored by Senators Palumbo, Carlyle, Nguyen, Saldaña, Hasegawa, Dhingra, Frockt, and Kuderer; by request of Office of the Governor)

READ FIRST TIME 02/21/19.

1 AN ACT Relating to advancing electric transportation; amending
2 RCW 82.04.4496, 82.16.0496, and 80.28.360; adding a new section to
3 chapter 82.08 RCW; adding a new section to chapter 82.12 RCW; adding
4 a new section to chapter 35.92 RCW; adding a new section to chapter
5 54.16 RCW; adding a new section to chapter 80.28 RCW; adding a new
6 chapter to Title 70 RCW; creating new sections; providing an
7 effective date; providing expiration dates; providing contingent
8 expiration dates; and declaring an emergency.

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

10 **PART I**

11 **ELECTRIC AND ALTERNATIVE FUEL PASSENGER**

12 **VEHICLE TAX INCENTIVES**

13 NEW SECTION. **Sec. 101.** (1) This section is the tax preference
14 performance statement for the tax preferences contained in sections
15 102 and 103, chapter . . ., Laws of 2019 (sections 102 and 103 of
16 this act). This performance statement is only intended to be used for
17 subsequent evaluation of the tax preference. It is not intended to
18 create a private right of action by any party or to be used to
19 determine eligibility for preferential tax treatment.

1 (2) The legislature categorizes these tax preferences as ones
2 intended to provide tax relief for certain businesses or individuals,
3 as indicated in RCW 82.32.808(2)(e).

4 (3) It is the legislature's specific public policy objective to
5 make electric vehicles more accessible and affordable to everyone.

6 (4) If the review finds that the cumulative number of qualifying
7 vehicles titled in the state equals or exceeds two percent of all
8 passenger cars, light duty trucks, and medium duty passenger vehicles
9 titled in the state, then the legislature intends to extend the
10 expiration date of these tax preferences.

11 (5) In order to obtain the data necessary to perform the review
12 in subsection (4) of this section, the joint legislative audit and
13 review committee may refer to any data collected by the state.

14 NEW SECTION. **Sec. 102.** A new section is added to chapter 82.08
15 RCW to read as follows:

16 (1) Beginning with sales made or lease agreements signed on or
17 after the qualification period start date:

18 (a) The tax levied by RCW 82.08.020, and any associated local
19 sales taxes, do not apply as provided in (b) of this subsection to
20 sales or leases of new or used passenger cars, light duty trucks, and
21 medium duty passenger vehicles:

22 (i) That are exclusively powered by an electric battery; and

23 (ii)(A) That have at the time of sale of a new vehicle or at the
24 inception of the lease of a new vehicle, a lowest manufacturer's
25 suggested retail price of forty-five thousand dollars or less, as
26 determined by the department of licensing, for the base model; or

27 (B) When the sale or lease is of a used vehicle, if the vehicle
28 model qualified for an exemption under this section and section 103
29 of this act when the vehicle was new and is included on the list
30 maintained by the department of licensing under subsection (3) of
31 this section.

32 (b)(i) The exemption in this section is applicable for up to one
33 thousand dollars of the state and local sales tax otherwise due on:

34 (A) The sale of the new or used vehicle; or

35 (B) The lease payments made by the lessee under the lease,
36 including any extension of the lease. If the lessee purchases or re-
37 leases the leased vehicle before the qualification period end date
38 and has not used the full one thousand dollar exemption amount, the
39 unused portion of the exemption amount may be applied to the state

1 and local sales tax due on the lessee's purchase or re-lease of the
2 leased vehicle.

3 (ii) The exemption under this section applies to the state and
4 local sales tax otherwise due on the sale or lease of a qualifying
5 vehicle in the same proportion that the taxing authority's sales tax
6 rate or rates have to the combined state and local sales tax rate on
7 the sale or lease of the qualifying vehicle.

8 (iii) For purposes of reporting exemptions on a seller's tax
9 returns, the department may require sellers to convert exempted tax
10 amounts into an equivalent selling price exemption and report such
11 amounts as a deduction on the seller's excise tax return.

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

14 (3) The department of licensing must maintain and publish a list
15 of all vehicle models qualifying for the sales tax exemption under
16 this section and the use tax exemption under section 103 of this act
17 beginning at least fifteen days before the qualification period start
18 date until the expiration date of this section. The department of
19 licensing has sole authority over the list required under this
20 subsection. Neither the department nor any seller may grant an
21 exemption under this section or section 103 of this act with respect
22 to any vehicle that is not on the list required under this
23 subsection.

24 (4) On the last day of January, April, July, and October of each
25 year, beginning October 1, 2019, the state treasurer, based upon
26 information provided by the department, must transfer from the
27 forward flexible account created in RCW 46.68.--- (section 802,
28 chapter . . . (Senate Bill No.--- (S-1391/19)), Laws of 2019) to the
29 general fund a sum equal to the dollar amount that would otherwise
30 have been deposited into the general fund during the prior calendar
31 quarter but for the exemption provided in this section. Information
32 provided by the department to the state treasurer must be based on
33 the best available data, except that the department may provide
34 estimates of taxes exempted under this section until such time as
35 retailers are able to report such exempted amounts on their tax
36 returns.

37 (5) (a) By the end of the fifth working day of each month, until
38 this section expires, the department of licensing must determine the
39 cumulative number of vehicles that qualify for the exemption under
40 this section and section 103 of this act, titled on or after the

1 qualification period start date, and provide notice of the cumulative
2 number of these vehicles to the department.

3 (b) The department of licensing must notify the department once
4 the cumulative number of vehicles that qualify for the exemption
5 under this section and section 103 of this act, titled in the state
6 on or after the qualification period start date, equals or exceeds
7 ten percent of all passenger cars, light duty trucks, and medium duty
8 passenger vehicles titled in the state.

9 (6) By December 31, 2019, and every six months thereafter until
10 this section expires, based on the best available data, the
11 department must report the following information to the
12 transportation committees of the legislature: The cumulative number
13 of vehicles that qualify for the exemption under this section and
14 section 103 of this act, titled in the state on or after the
15 qualification period start date, as reported to it by the department
16 of licensing; and the dollar amount of all state retail sales and use
17 taxes exempted on or after the qualification period start date, under
18 this section and section 103 of this act.

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

21 (a) "Base model" means the lowest priced version of the vehicle
22 model for which the exemption under this section or section 103 of
23 this act is sought that:

24 (i) Is the same model year as the vehicle for which the exemption
25 under this section or section 103 of this act is sought;

26 (ii) Meets the same criteria of subsection (1)(a)(i) of this
27 section as the vehicle for which the exemption under this section or
28 section 103 of this act is sought; and

29 (iii) Is available for retail sale or lease to consumers.

30 (b) "Local sales tax" means a retail sales tax imposed under the
31 authority of chapter 82.14 RCW or RCW 81.104.170.

32 (c) "Local use tax" means a use tax imposed under the authority
33 of chapter 82.14 RCW or RCW 81.104.170.

34 (d) "Qualification period end date" means the date identified in
35 subsection (8)(a) of this section.

36 (e) "Qualification period start date" means the first day of the
37 first calendar month after June 2019 that is at least sixty days
38 after the effective date of this section.

1 (f) "Used" means a passenger car, light duty truck, or medium
2 duty passenger vehicle that has been previously owned or leased by a
3 person.

4 (8)(a) Sales of vehicles delivered to the buyer or leased
5 vehicles for which the lease agreement was signed after the last day
6 of the third calendar month immediately following the month the
7 department receives notice from the department of licensing under
8 subsection (5)(b) of this section do not qualify for the exemption
9 under this section.

10 (b) All leased vehicles that qualified for the exemption under
11 this section before the qualification period end date must continue
12 to receive the exemption as described under subsection (1)(b) of this
13 section on any lease payments due through the remainder of the lease
14 before the expiration date of this section, not including any
15 extension of the lease.

16 (c) For the purposes of (a) of this subsection, if the department
17 of licensing provides the department with notice under subsection (5)
18 of this section after the end of the fifth working day of the month,
19 the notice is deemed to have been received by the department the
20 following month.

21 (9)(a) Upon receiving notice from the department of licensing
22 under subsection (5)(b) of this section, the department must provide:

23 (i) Written notice of the qualification period end date and the
24 expiration date of this section to affected parties, the chief clerk
25 of the house of representatives, the secretary of the senate, the
26 office of the code reviser, and others as deemed appropriate by the
27 department; and

28 (ii) Electronic notice of the qualification period end date and
29 the expiration date of this section on its web site as soon as
30 practicable.

31 (b) Nothing in this subsection (9) may be construed to affect the
32 validity of any exemption properly allowed by a seller under this
33 section before the expiration date of this section and reported to
34 the department on returns filed after the expiration date of this
35 section.

36 (10) This section expires four years from the qualification
37 period end date.

38 NEW SECTION. **Sec. 103.** A new section is added to chapter 82.12
39 RCW to read as follows:

1 (1) Beginning with sales made, lease agreements signed, or other
2 transfers of ownership or possession occurring on or after the
3 qualification period start date:

4 (a) The provisions of this chapter, and any associated local use
5 taxes, do not apply as provided in (b) of this subsection in respect
6 to the use of new or used passenger cars, light duty trucks, and
7 medium duty passenger vehicles:

8 (i) That are exclusively powered by an electric battery; and

9 (ii) (A) That have at the time of purchase of a new vehicle, at
10 the inception of a lease of a new vehicle, or at the time of any
11 other transfer of ownership or possession of a new vehicle, a lowest
12 manufacturer's suggested retail price of forty-five thousand dollars
13 or less, as determined by the department of licensing, for the base
14 model; or

15 (B) When the vehicle is used, if the vehicle model qualified for
16 an exemption under this section and section 102 of this act when the
17 vehicle was new and is included on the list maintained by the
18 department of licensing under section 102(3) of this act.

19 (b) (i) The exemption in this section is applicable for up to one
20 thousand dollars of the state and local use tax otherwise due on:

21 (A) The use of a new or used vehicle; or

22 (B) For leased vehicles, the lease payments made by the lessee
23 under the lease, including any extension of the lease. If the lessee
24 purchases or re-leases the leased vehicle before the qualification
25 period end date and has not used the full one thousand dollar
26 exemption amount, the unused portion of the exemption amount may be
27 applied to the state and local sales or use tax due on the lessee's
28 purchase or re-lease of the leased vehicle.

29 (ii) The exemption under this section applies to the state and
30 local use tax otherwise due on the use of a qualifying vehicle in the
31 same proportion that the taxing authority's use tax rate or rates
32 have to the combined state and local use tax rate on the use of the
33 qualifying vehicle.

34 (iii) For purposes of reporting exemptions on a seller's tax
35 returns, the department may require sellers to convert exempted tax
36 amounts into an equivalent purchase price exemption and report such
37 amounts as a deduction on the seller's excise tax return.

38 (2) Sellers and consumers must keep records necessary for the
39 department to verify eligibility under this section.

1 (3) On the last working day of January, April, July, and October
2 of each year, beginning in October 2019, the state treasurer, based
3 upon information provided by the department, must transfer from the
4 forward flexible account created in RCW 46.68.--- (section 802,
5 chapter . . . (Senate Bill No.--- (S-1391/19)), Laws of 2019) to the
6 general fund a sum equal to the dollar amount that would otherwise
7 have been deposited into the general fund during the prior calendar
8 quarter but for the exemption provided in this section. Information
9 provided by the department to the state treasurer must be based on
10 the best available data.

11 (4) (a) Vehicles purchased, leased vehicles for which the lease
12 agreement was signed, and vehicles otherwise acquired after the
13 qualification period end date do not qualify for the exemption under
14 this section.

15 (b) All leased vehicles that qualified for the exemption under
16 this section before the qualification period end date must continue
17 to receive the exemption as described under subsection (1) (b) of this
18 section on any lease payments due through the remainder of the lease
19 before the expiration date of this section, not including any
20 extension of the lease.

21 (5) The definitions in section 102 of this act apply to this
22 section.

23 (6) (a) When the department of licensing determines under section
24 102(5) (b) of this act that the cumulative number of vehicles that
25 qualify for the exemption under this section and section 102 of this
26 act titled in the state on or after the qualification period start
27 date equals or exceeds ten percent of all passenger cars, light duty
28 trucks, and medium duty passenger vehicles titled in the state, this
29 section expires four years from the qualification period end date.

30 (b) The department must provide:

31 (i) Written notice of the qualification period end date and the
32 expiration date of this section to affected parties, the chief clerk
33 of the house of representatives, the secretary of the senate, the
34 office of the code reviser, and others as deemed appropriate by the
35 department; and

36 (ii) Electronic notice of the qualification period end date and
37 the expiration date of this section on its web site as soon as
38 practicable.

1 **ELECTRIC AND ALTERNATIVE FUEL COMMERCIAL VEHICLE SALES TAX CREDITS**

2 NEW SECTION. **Sec. 201.** (1) This section is the tax preference
3 performance statement for the tax preferences contained in part II of
4 this act. The performance statement is only intended to be used for
5 subsequent evaluation of the tax preference. It is not intended to
6 create a private right of action by any party or be used to determine
7 eligibility for preferential tax treatment.

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

11 (3) It is the legislature's specific public policy objective to
12 increase the use of clean alternative fuel vehicles in Washington.

13 (4) To measure the effectiveness of the tax preferences in this
14 act in achieving the public policy objectives described in subsection
15 (3) of this section, the joint legislative audit and review committee
16 must evaluate the number of clean alternative fuel vehicles titled in
17 the state in calendar year 2023.

18 (5) In order to obtain the data necessary to perform the review
19 in subsection (4) of this section, the joint legislative audit and
20 review committee may refer to any data collected by the state.

21 **Sec. 202.** RCW 82.04.4496 and 2017 c 116 s 1 are each amended to
22 read as follows:

23 (1)(a) A person who is taxable under this chapter is allowed a
24 credit against the tax imposed in this chapter according to the gross
25 vehicle weight rating of the vehicle and the incremental cost of the
26 vehicle purchased above the purchase price of a comparable
27 conventionally fueled vehicle. The credit is limited, as set forth in
28 the table below, to the lesser of the incremental cost amount or the
29 maximum credit amount per vehicle purchased, and subject to a maximum
30 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)) 75% of incremental cost	\$25,000	((2,000,000)) <u>\$13,333,333</u>
14,001 to 26,500 pounds	((50)) 75% of incremental cost	\$50,000	((2,000,000)) <u>\$13,333,333</u>

Above 26,500 pounds	((50) <u>75</u> % of incremental cost	\$100,000	((\$2,000,000) <u>\$13,333,333</u>
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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.

(d) Beginning December 31, 2020, and every four years thereafter, 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~~) fifty 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~~) five hundred ((~~fifty~~) fifty) thousand dollars or ((~~twenty-five~~) fifty 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~~) forty 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.

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

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

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

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

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

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

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

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

18 (v) The anticipated delivery date of the vehicle;

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

21 (vii) The gross weight of each vehicle;

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

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

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

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

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

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

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

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

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

40 (iii) The vehicle identification number of each vehicle;

- 1 (iv) The incremental cost of the alternative fuel system;
- 2 (v) Attestations signed by both the seller and purchaser of each
3 vehicle attesting that the incremental cost of the alternative fuel
4 system includes only the costs necessary for the vehicle to run on
5 alternative fuel and no other vehicle options, equipment, or costs;
6 and
- 7 (vi) Any other information deemed necessary by the department to
8 support administration or reporting of the program.
- 9 (9) A person applying for credit under subsection (8) of this
10 section may apply for multiple vehicles on the same application, but
11 the application must include the required information for each
12 vehicle included in the application.
- 13 (10) To administer the credits, the department must, at a
14 minimum:
- 15 (a) Provide notification on its web site monthly of the amount of
16 credits that have been applied for, claimed, and the amount remaining
17 before the statewide annual limit is reached;
- 18 (b) Within fifteen days of receipt of the application, notify
19 persons applying of the availability of tax credits in the year in
20 which the vehicles applied for are anticipated to be delivered;
- 21 (c) Within fifteen days of receipt of the notice of intent to
22 claim the tax credit, notify the applicant of the approval, denial,
23 or missing information in their notice; and
- 24 (d) Within fifteen days of receipt of final documentation, review
25 the documentation and notify the person applying of the acceptance of
26 their final documentation.
- 27 (11) If a person fails to supply the information as required in
28 subsection (8) of this section, the department must deny the
29 application.
- 30 (12)(a) Taxpayers are only eligible for a credit under this
31 section based on:
- 32 (i) Sales or leases of new commercial vehicles and qualifying
33 used commercial vehicles with propulsion units that are principally
34 powered by a clean alternative fuel; or
- 35 (ii) Costs to modify a commercial vehicle, including sales of
36 tangible personal property incorporated into the vehicle and labor or
37 service expenses incurred in modifying the vehicle, to be principally
38 powered by a clean alternative fuel.

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

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

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

13 (b) On the last day of March, June, September, and December of
14 each year until December 31, 2022, the state treasurer, based upon
15 information provided by the department, must transfer a sum equal to
16 the dollar amount of the credit provided under this section from the
17 multimodal transportation account to the general fund. However, if at
18 any time before December 31, 2022, the cumulative amount of credits
19 claimed under this section and RCW 82.16.0496 total more than thirty-
20 three million dollars, then the state treasurer must transfer a sum
21 equal to the dollar amount of the credit provided under this section
22 from the forward flexible account created in RCW 46.68.--- (section
23 802, chapter . . . (Senate Bill No.--- (S-1391/19)), Laws of 2019) to
24 the general fund.

25 (c) On the last day of March, June, September, and December of
26 each year beginning January 1, 2023, the state treasurer, based upon
27 information provided by the department, must transfer a sum equal to
28 the dollar amount of the credit provided under this section from the
29 forward flexible account created in RCW 46.68.--- (section 802,
30 chapter . . . (Senate Bill No.--- (S-1391/19)), Laws of 2019) to the
31 general fund.

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

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

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

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

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

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

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

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

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

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

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

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

29 (16) Credits may be earned under this section from January 1,
30 2016, through January 1, (~~2021~~) 2050, except for credits for leased
31 vehicles, which may be earned from July 1, 2016, through January 1,
32 (~~2021~~) 2050.

33 (17) Credits earned under this section may not be used after
34 January 1, (~~2022~~) 2051.

35 (18) This section expires January 1, (~~2022~~) 2051.

36 **Sec. 203.** RCW 82.16.0496 and 2017 c 116 s 2 are each amended to
37 read as follows:

38 (1)(a) A person who is taxable under this chapter is allowed a
39 credit against the tax imposed in this chapter according to the gross

1 vehicle weight rating of the vehicle and the incremental cost of the
 2 vehicle purchased above the purchase price of a comparable
 3 conventionally fueled vehicle. The credit is limited, as set forth in
 4 the table below, to the lesser of the incremental cost amount or the
 5 maximum credit amount per vehicle purchased, and subject to a maximum
 6 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)) 75% of incremental cost	\$25,000	(((\$2,000,000)) <u>\$13,333,333</u>)
14,001 to 26,500 pounds	((50)) 75% of incremental cost	\$50,000	(((\$2,000,000)) <u>\$13,333,333</u>)
Above 26,500 pounds	((50)) 75% of incremental cost	\$100,000	(((\$2,000,000)) <u>\$13,333,333</u>)

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

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

24 (d) Beginning December 31, 2020, and every four years thereafter,
 25 the department must review the credits claimed, incremental costs of
 26 alternative fuel vehicles, and recommend changes to the incentive
 27 levels for each class of vehicle to the legislature in order to
 28 promote cost-efficient conversions.

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

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

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

3 (5) Credits are available on a first-in-time basis. The
4 department must disallow any credits, or portion thereof, that would
5 cause the total amount of credits claimed under this section, and RCW
6 82.04.4496, during any calendar year to exceed (~~six~~) forty million
7 dollars. The department must provide notification on its web site
8 monthly on the amount of credits that have been applied for, the
9 amount issued, and the amount remaining before the statewide annual
10 limit is reached. In addition, the department must provide written
11 notice to any person who has applied to claim tax credits in excess
12 of the limitation in this subsection.

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

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

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

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

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

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

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

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

30 (v) The anticipated delivery date of the vehicle;

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

33 (vii) The gross weight of each vehicle;

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

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

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

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

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

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

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

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

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

12 (iii) The vehicle identification number of each vehicle;

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

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

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

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

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

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

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

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

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

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

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

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

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

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

16 (13) The definitions in RCW 82.04.4496 apply to this section.

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

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

26 (b) On the last day of March, June, September, and December of
27 each year until December 31, 2022, the state treasurer, based upon
28 information provided by the department, must transfer a sum equal to
29 the dollar amount of the credit provided under this section from the
30 multimodal transportation account to the general fund. However, if at
31 any time before December 31, 2022, the cumulative amount of credits
32 claimed under this section and RCW 82.04.4496 total more than thirty-
33 three million dollars, then the state treasurer must transfer a sum
34 equal to the dollar amount of the credit provided under this section
35 from the forward flexible account created in RCW 46.68.--- (section
36 802, chapter . . . (Senate Bill No.--- (S-1391/19)), Laws of 2019) to
37 the general fund.

38 (c) On the last day of March, June, September, and December of
39 each year beginning January 1, 2023, the state treasurer, based upon
40 information provided by the department, must transfer a sum equal to

1 the dollar amount of the credit provided under this section from the
2 forward flexible account created in RCW 46.68.--- (section 802,
3 chapter . . . (Senate Bill No.--- (S-1391/19)), Laws of 2019) to the
4 general fund.

5 (16) Credits may be earned under this section from January 1,
6 2016, through January 1, (~~2021~~) 2050, except for credits for leased
7 vehicles, which may be earned from July 1, 2016, through January 1,
8 (~~2021~~) 2050.

9 (17) Credits earned under this section may not be used after
10 January 1, (~~2022~~) 2051.

11 (18) This section expires January 1, (~~2022~~) 2051.

12 **PART III**

13 **ELECTRIFICATION OF TRANSPORTATION INFRASTRUCTURE**

14 NEW SECTION. **Sec. 301.** (1) The legislature finds that programs
15 for electrification of transportation have the potential to allow
16 electric utilities to optimize the use of electric grid
17 infrastructure, improve the management of electric loads, and better
18 manage the integration of variable renewable energy resources.
19 Depending upon each utility's unique circumstances, electrification
20 of transportation programs may provide cost-effective energy
21 efficiency, through more efficient use of energy resources, and more
22 efficient use of the electric delivery system. Electrification of
23 transportation may result in cost savings and benefits for all
24 ratepayers.

25 (2) State policy can achieve the greatest return on investment in
26 reducing greenhouse gas emissions and improving air quality by
27 expediting the transition to alternative fuel vehicles, including
28 electric vehicles. Potential benefits associated with electrification
29 of transportation include the monetization of environmental
30 attributes associated with carbon reduction in the transportation
31 sector.

32 (3) Legislative clarity is important for utilities to offer
33 programs and services, including incentives, in the electrification
34 of transportation for their customers. It is the intent of the
35 legislature to achieve parity among all electric utilities, so each
36 electric utility, depending on its unique circumstances, can
37 determine its appropriate role in the development of electrification
38 of transportation infrastructure.

1 NEW SECTION. **Sec. 302.** A new section is added to chapter 35.92
2 RCW to read as follows:

3 (1) The governing authority of an electric utility formed under
4 this chapter may adopt an electrification of transportation plan
5 that, at a minimum, establishes a finding that utility outreach and
6 investment in the electrification of transportation infrastructure
7 does not increase net costs to ratepayers in excess of one-quarter of
8 one percent.

9 (2) In adopting an electrification of transportation plan under
10 subsection (1) of this section, the governing authority may consider
11 some or all of the following: (a) The applicability of multiple
12 options for electrification of transportation across all customer
13 classes; (b) the impact of electrification on the utility's load, and
14 whether demand response or other load management opportunities,
15 including direct load control and dynamic pricing, are operationally
16 appropriate; (c) system reliability and distribution system
17 efficiencies; (d) interoperability concerns, including the
18 interoperability of hardware and software systems in electrification
19 of transportation proposals; and (e) overall customer experience.

20 (3) An electric utility formed under this chapter may, upon
21 making a determination in accordance with subsection (1) of this
22 section, offer incentive programs in the electrification of
23 transportation for its customers, including the promotion of electric
24 vehicle adoption and advertising programs to promote the utility's
25 services, incentives, or rebates.

26 NEW SECTION. **Sec. 303.** A new section is added to chapter 54.16
27 RCW to read as follows:

28 (1) The commission of a public utility district may adopt an
29 electrification of transportation plan that, at a minimum,
30 establishes a finding that outreach and investment in the
31 electrification of transportation infrastructure does not increase
32 net costs to ratepayers in excess of one-quarter of one percent.

33 (2) In adopting an electrification of transportation plan under
34 subsection (1) of this section, the commission of a public utility
35 district may consider some or all of the following: (a) The
36 applicability of multiple options for electrification of
37 transportation across all customer classes; (b) the impact of
38 electrification on the district's load, and whether demand response
39 or other load management opportunities, including direct load control

1 and dynamic pricing, are operationally appropriate; (c) system
2 reliability and distribution system efficiencies; (d)
3 interoperability concerns, including the interoperability of hardware
4 and software systems in electrification of transportation proposals;
5 and (e) overall customer experience.

6 (3) A public utility district may, upon making a determination in
7 accordance with subsection (1) of this section, offer incentive
8 programs in the electrification of transportation for its customers,
9 including the promotion of electric vehicle adoption and advertising
10 programs to promote the district's services, incentives, or rebates.

11 NEW SECTION. **Sec. 304.** A new section is added to chapter 80.28
12 RCW to read as follows:

13 (1) An electric utility regulated by the commission under this
14 chapter may submit to the commission an electrification of
15 transportation plan that deploys electric vehicle supply equipment or
16 provides other electric transportation programs, services, or
17 incentives to support electrification of transportation, provided
18 that such electric vehicle supply equipment, programs, or services
19 may not increase costs to customers in excess of one-quarter of one
20 percent above the benefits of electric transportation to all
21 customers over a period consistent with the utility's planning
22 horizon under its most recent integrated resource plan.

23 (2) In reviewing an electrification of transportation plan under
24 subsection (1) of this section, the commission may consider the
25 following:

26 (a) The applicability of multiple options for electrification of
27 transportation across all customer classes;

28 (b) The impact of electrification on the utility's load, and
29 whether demand response or other load management opportunities,
30 including direct load control and dynamic pricing, are operationally
31 appropriate;

32 (c) System reliability and distribution system efficiencies;

33 (d) Interoperability concerns, including the interoperability of
34 hardware and software systems in electrification of transportation
35 proposals;

36 (e) The benefits and costs of the plan actions; and

37 (f) The overall customer experience.

38 (3) The commission must issue an acknowledgment of an
39 electrification plan within six months of the submittal of the plan.

1 The commission may establish by rule the requirements for preparation
2 and submission of an electrification of transportation plan. An
3 electric utility may submit a plan concurrent with the section before
4 or during rule-making proceedings.

5 **Sec. 305.** RCW 80.28.360 and 2015 c 220 s 2 are each amended to
6 read as follows:

7 (1) In establishing rates for each electrical company regulated
8 under this title, the commission may allow an incentive rate of
9 return on investment through December 31, 2030, on capital
10 expenditures for electric vehicle supply equipment that is deployed
11 for the benefit of ratepayers, provided that the capital expenditures
12 do not increase costs to ratepayers in excess of one-quarter of one
13 percent. The commission must consider and may adopt other policies to
14 improve access to and promote fair competition in the provision of
15 electric vehicle supply equipment.

16 (2) An incentive rate of return on investment under this section
17 may be allowed only if the company chooses to pursue capital
18 investment in electric vehicle supply equipment on a fully regulated
19 basis similar to other capital investments behind a customer's meter.
20 In the case of an incentive rate of return on investment allowed
21 under this section, an increment of up to two percent must be added
22 to the rate of return on common equity allowed on the company's other
23 investments.

24 (3) The incentive rate of return on investment authorized in
25 subsection (2) of this section applies only to projects which have
26 been installed after July 1, 2015(~~(, and which are reasonably~~
27 ~~expected, at the time they are placed in the rate base, to result in~~
28 ~~real and tangible benefits for ratepayers by being installed and~~
29 ~~located where electric vehicles are most likely to be parked for~~
30 ~~intervals longer than two hours))).~~

31 (4) The incentive rate of return on investment increment pursuant
32 to this section may be earned only for a period up to the depreciable
33 life of the electric vehicle supply equipment as defined in the
34 depreciation schedules developed by the company and submitted to the
35 commission for review. When the capital investment has fully
36 depreciated, an electrical company may gift the electric vehicle
37 supply equipment to the owner of the property on which it is located.

38 (5) By December 31, 2017, the commission must report to the
39 appropriate committees of the legislature with regard to the use of

1 any incentives allowed under this section, the quantifiable impacts
2 of the incentives on actual electric vehicle deployment, and any
3 recommendations to the legislature about utility participation in the
4 electric vehicle market.

5 **PART IV**

6 **CHARGE AHEAD WASHINGTON PROGRAM**

7 NEW SECTION. **Sec. 401.** The definitions in this section apply
8 throughout this chapter unless the context clearly requires
9 otherwise.

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

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

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

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

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

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

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

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

31 NEW SECTION. **Sec. 402.** (1) The department must establish a
32 charge ahead Washington program to provide for charge ahead rebates
33 to low-income households and moderate-income households that
34 voluntarily retire high-emission passenger motor vehicles to a
35 licensed vehicle wrecker and replace those motor vehicles with new or
36 used light-duty zero-emission vehicles. The director of the
37 department may hire or contract with a third-party nonprofit

1 organization to implement and serve as the administrator of the
2 program required by this section.

3 (2) The department may:

4 (a) Specify design features for the program; and

5 (b) Establish procedures to:

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

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

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

14 (4) Rebates under the charge ahead Washington program must be
15 made from moneys credited to or deposited in the forward flexible
16 account created in RCW 46.68.--- (section 802, chapter . . . (Senate
17 Bill No.--- (S-1391/19)), Laws of 2019). A rebate may not be made
18 until there are sufficient moneys available in the forward flexible
19 account created in RCW 46.68.--- (section 802, chapter . . . (Senate
20 Bill No.--- (S-1391/19)), Laws of 2019) to make the rebate.

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

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

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

28 (a) Be a member of a low-income household or a moderate-income
29 household;

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

35 (c) Document that the person will deliver a high-emission
36 passenger motor vehicle to a licensed vehicle wrecker that, on the
37 date of the rebate application, is registered as operable and has
38 been continuously registered for the last two years;

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

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

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

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

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

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

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

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

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

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

40 (a) Solicit feedback on program implementation; and

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

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

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

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

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

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

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

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

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

29 **PART V**

30 **MISCELLANEOUS PROVISIONS**

31 NEW SECTION. **Sec. 501.** The provisions of RCW 82.32.805(1)(a) do
32 not apply to part II of this act.

33 NEW SECTION. **Sec. 502.** Sections 401 and 402 of this act
34 constitute a new chapter in Title 70 RCW.

35 NEW SECTION. **Sec. 503.** Part I and II of this act are necessary
36 for the immediate preservation of the public peace, health, or

1 safety, or support of the state government and its existing public
2 institutions, and take effect immediately.

3 NEW SECTION. **Sec. 504.** Part III of this act is necessary for
4 the immediate preservation of the public peace, health, or safety, or
5 support of the state government and its existing public institutions,
6 and takes effect July 1, 2019.

--- END ---