

SENATE BILL REPORT

SB 5000

As of January 13, 2021

Title: An act relating to creating a hydrogen fuel cell electric vehicle pilot sales and use tax exemption program.

Brief Description: Creating a hydrogen fuel cell electric vehicle pilot sales and use tax exemption program.

Sponsors: Senators Hawkins, Lovelett, Billig, Braun, Carlyle, Conway, Das, Ericksen, Fortunato, Gildon, Hasegawa, Holy, Hunt, King, Kuderer, Mullet, Muzzall, Nguyen, Padden, Pedersen, Rivers, Robinson, Salomon, Sheldon, Van De Wege, Wagoner, Warnick, Wellman, Wilson, C. and Wilson, J..

Brief History:

Committee Activity: Environment, Energy & Technology: 1/13/21.

Brief Summary of Bill

- Establishes an eight-year pilot tax incentive program for fuel cell electric vehicles.
- Allows a temporary partial sales and use tax exemption to reduce the price on fuel cell electric vehicles.

SENATE COMMITTEE ON ENVIRONMENT, ENERGY & TECHNOLOGY

Staff: Julie Tran (786-7283)

Background: Connecting Washington. In 2015, the Governor signed a transportation and infrastructure package and set a goal of 50,000 electric vehicles (EVs) on Washington's roads by 2020. According to the Department of Licensing, Washington has approximately 63,855 registered EVs as of November 2020.

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not part of the legislation nor does it constitute a statement of legislative intent.

Alternative Fuel Tax Incentive. An alternative fuel vehicle retail sales and use tax exemption was in place between January 2009 and the end of May 2018. It was reinstated in 2019 with the passage of E2SHB 2042. The exemption was for qualifying new passenger cars, light duty trucks, and medium duty passenger vehicles that were either exclusively powered by a clean alternative fuel or used at least one method of propulsion that was capable of being re-energized by an external source of electricity and capable of traveling at least 30 miles using only battery power.

Fuel Cell. Under Washington State law, fuel cell is defined as a technology that uses an electrochemical reaction to generate electric energy by combining atoms of hydrogen in the presence of a catalyst.

Summary of Bill: Fuel Cell Electric Vehicle Retail Sales and Use Tax Exemption Program. The fuel cell EV retail sales and use tax exemption applies to the sales or leases of new or used electric passenger cars, light duty trucks, and medium duty passenger vehicles powered by a fuel cell. The eight-year pilot program is effective beginning July 1, 2022, and the temporary exemption impacts the retail sales and use tax levied as follows:

- 50 percent of the sales and use tax does not apply to qualifying new vehicles; and
- the entire sales and use tax does not apply to qualifying used vehicles and the per vehicle exemption is based on the purchased vehicle's sale or fair market value.

Department of Revenue (DOR) must determine whether a vehicle meets the applicable qualifying criteria and Department of Licensing (DOL) must issue final rulings on vehicle model qualifications and maintain and publish a list of all vehicle models qualifying for the tax exemption until the exemption program's expiration.

Vehicles do not qualify for the exemption if the sales of vehicles delivered to the buyer or the leased vehicle's lease agreement occurs after the exemption's expiration. If a person has already claimed an alternative fuel tax incentive exemption, they may not also claim this exemption.

At the end of each quarter, the state treasurer is required to transfer from the EV account to the general fund, the amount that would otherwise have been deposited in the state general fund if not for this tax exemption.

A report must be submitted to the Legislature's transportation committees with the following information by the last day of August 2023, and annually thereafter:

- cumulative number of fuel cell electric vehicles that qualified for the exemptions by month of purchase or lease start and vehicle make and model;
- the dollar amount of all state retail sales and use taxes exempted on or after the qualification period start date; and
- future cost estimates of leased vehicles that qualified for the exemptions.

The fuel cell electric vehicle retail sales and use tax exemption program's expiration date is

set for June 30, 2029. All qualified leased vehicles must continue to receive the exemption on any lease payments through the remainder of the lease.

Maximum Exemptions. The maximum total exemptions for qualified new vehicles are 650 exemptions. Once the total number of exempt vehicles reaches 650, the exemption for qualified new vehicles will expire after the last day of the next calendar month. DOL must collect and provide information to determine the number of claimed exemptions, which will be posted on the website monthly. The website will contain the following information:

- amount of exemptions that have been applied for;
- amount issued;
- amount remaining before the limit of 650 exemptions has been reached; and
- the exemption expiration date once the limit has been reached.

For qualified used vehicles, there is no maximum exemption total. However, the value amount for an exemption is the lesser of either \$16,000 or the fair market value of the vehicle.

The seller must keep records necessary for DOR to verify eligibility, and a person claiming the exemption must also submit certain specified information to DOR.

Tax Preference Performance Statement. The Legislature's public policy objective for establishing an eight-year pilot tax incentive program for fuel cell electric vehicles is to increase the use of hydrogen fuel cell electric vehicles in Washington as another way of promoting clean alternative fuel vehicle adoption. The Joint Legislative Audit Review Committee (JLARC) is directed to evaluate the tax incentive's effectiveness on the number of hydrogen fuel cell vehicles titled in the state by November 1, 2028. DOL and DOR are required to provide JLARC with information needed for this analysis to be conducted.

Appropriation: None.

Fiscal Note: Available.

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

Effective Date: The bill takes effect on July 1, 2022.

Staff Summary of Public Testimony: PRO: North Central Washington is well-positioned to be a leader of clean, renewable energy and Washington would be one of the first states along with California and Hawaii to actively support the hydrogen marketplace and those producing hydrogen fuel vehicles. This bill would continue that leadership and create opportunities to use and develop renewable hydrogen in the state. Since the passage of SB 5588 in 2019, the Douglas County Public Utility District has been developing their hydrogen production facility and it will be producing hydrogen by the end of 2021. This bill has the potential to leverage the many benefits of the region's hydropower generation

facilities and support zero-emission vehicles that will use this fuel. It also would accelerate the market availability of clean fuel vehicles and it is one of the best opportunities to help achieve the state's climate goals. This bill will provide an important incentive for consumers to consider a zero-emission vehicle and an option for those without a charging infrastructure in their home. We could have more vehicles that are home-grown with home-produced hydrogen fuels.

Persons Testifying: PRO: Senator Brad Hawkins, Prime Sponsor; Dave Warren, The Warren Group; Curt Augustine, Alliance for Automotive Innovation; La Stanja Baker, Toyota Motor North America; Jason Sekhon, Toyota Motor North America; Tim Sasseen, Ballard Power Systems; Gary Ivory, Public Utility District No. 1 of Douglas County; Jeff Wilkens, Chelan-Douglas Transportation Council.

Persons Signed In To Testify But Not Testifying: PRO: Randy Agnew, Chelan-Douglas Transportation Council.