Washington State
House of Representatives
Office of Program Research

BILL ANALYSIS

Agriculture & Ecology Committee

HB 2566

Brief Description: Providing incentives to reduce air pollution through the use of clean alternative fuel vehicles.

Sponsors: Representatives Linville, Pflug, Cooper, Barlean, Roach, Berkey, Wood, Reardon, Hunt, Delvin, Sullivan, Lysen, Anderson, Morris, Crouse, Upthegrove, Miloscia, Morell, Chase, Rockefeller, Simpson, Darneille, Conway, McIntire, Santos and Edwards.

Brief Summary of Bill

- Provides business and occupation tax credits for individuals purchasing or leasing clean alternative fuel vehicles, providing financial assistance for certain public entities to purchase or lease clean alternative fuel vehicles, and for acquiring and installing alternative fuel and electric recharging equipment.

Hearing Date: 1/29/02

Staff: Jason Callahan (786-7117).

Background:

Alternate fuel vehicles operate with fuels other than petroleum-based gasoline and diesel. The United States Department of Energy recognizes eight categories of alternative fuels: methanol, denatured ethanol, natural gas, liquified petroleum gas (propane), hydrogen, coal-delivered liquid fuels, fuels derived from biological materials (biodiesel), and electricity. Each of these alternative fuels results in a reduction of ozone-forming tailpipe emissions. The U.S. Department of Energy's Alternative Fuel Data Center reports that in 2001 seven automobile manufactures combined to offer for sale in the United States 38 vehicle models that are capable of running on alternative fuels. These models include compact cars, sedans, vans, sports utility vehicles, and pickup trucks. The same source reports that currently the state of Washington has 122 registered alternative vehicle refueling sites, more than 38 other U.S. states.

In order to encourage the use of nonpolluting fuels, Washington provides an exemption from the special fuel tax for vehicles using cleaner burning fuels, such as natural gas or propane. Instead of charging a tax at the refueling center, Washington requires the owners of natural gas-powered vehicles to purchase a decal from the Department of Licensing. The fee for the decal is determined by a statutorily set schedule, multiplied by the motor vehicle fuels tax rate in cents per gallon and divided by twelve cents. This formula results in fees ranging from $86.25 to $479.16 depending on the weight of the vehicle. Dealers selling natural gas are not allowed to dispense the fuel into vehicles not bearing a current annual decal

Summary of Bill:

A "clean alternative fuel vehicle" is defined to include a vehicle that operates solely on alternative fuels, a hybrid vehicle powered by an electric and fuel-powered motor that receives at least 40 miles per gallon, and a fuel cell vehicle. Vehicles less than 12,000 gross pounds must also meet or exceed federal requirements for ultra-low emission vehicles "Alternative fuel" is defined as natural gas, propane, hydrogen, and electricity.

Persons taxable under the business and occupation tax may take a credit for the purchase or lease of a clean alternative fuel vehicle if the vehicle is used exclusively for business operations. The amount credited is determined by the vehicle tonnage. Individuals purchasing vehicles weighing less than 12,000 pounds may be credited for the lesser of 25% of the base cost of the vehicle or $5,000. Individuals purchasing vehicles weighing more than 12,000 pounds may be credited for the lesser of 25% of the base cost of the vehicle or $20.000.

Business and occupation tax credits are available for individuals providing financial assistance to school districts, transit agencies and local governments for the purchase or lease of clean alternative fuel vehicles. Likewise, credits are available for persons expending costs for acquiring and installing alternative fuel and electric vehicle recharging equipment. The lesser of 50% of the costs or $200,000 is creditable if the facility invested in is open to the public, and 25% of the costs or $100,000 is creditable if the facility invested in is not open to the public.

Credits may not exceed the amount of the tax and may not be claimed for expenditures occurring before the effective date of the act. This provision for hybrid vehicles expires in 2004, and credits under the remainder of the act are not effective after 2010.

The Washington State energy program is directed to work with appropriate stakeholders to evaluate the effectiveness of the tax incentives in improving air quality and increasing the use of clean fuel vehicles. These findings are to be reported to the Legislature biennially starting in 2005.

Appropriation: None.

Fiscal Note: Requested on January 21, 2002.

Effective Date: Ninety days after adjournment of session in which bill is passed.