

SENATE BILL REPORT

SB 5492

As Reported By Senate Committee On:
Environment, Energy & Water, February 27, 2001

Title: An act relating to providing incentives to reduce air pollution through the use of clean alternative fuel vehicles.

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

Sponsors: Senators Patterson, Carlson, Regala, Fraser, Horn, Haugen, Jacobsen and Kohl-Welles.

Brief History:

Committee Activity: Environment, Energy & Water: 1/30/01, 2/27/01 [DPS-WM].

SENATE COMMITTEE ON ENVIRONMENT, ENERGY & WATER

Majority Report: That Substitute Senate Bill No. 5492 be substituted therefor, and the substitute bill do pass and be referred to Committee on Ways & Means.

Signed by Senators Fraser, Chair; Regala, Vice Chair; Eide, Hale, Jacobsen, McDonald, Morton and Patterson.

Staff: Richard Rodger (786-7461)

Background: Alternative fuel vehicles are vehicles that operate on fuels such as natural gas, propane, electricity or hydrogen. These vehicles are recognized as less polluting than vehicles that use gasoline or diesel fuel.

Special fuels include all combustible gases and liquid, except gasoline, used to power motor vehicles. These fuels are taxed at the same rate as gasoline when in a liquid form. Compressed natural gas fuel is taxed at the same rate as gasoline, but utilizing a measurement of per 100 cubic feet.

Vehicles that use nonpolluting fuels, such as natural gas or propane, may purchase an annual license fee option, in lieu of paying a fuel tax.

Summary of Substitute Bill: Clean alternative fuel vehicles— are defined to include vehicles that operate: (a) exclusively on alternative fuels; (b) hybrid vehicles powered by a combination of sources, such as an electric motor plus an engine powered by gasoline, diesel or an alternative fuel; or (c) a fuel cell vehicle. Alternative fuels— are defined as natural gas, propane, hydrogen, and electricity.

Business and occupation tax credits are offered to persons who: (1) purchase or lease a clean alternative fuel vehicle for exclusive use in business operations; (2) provide financial assistance for the purchase or lease of clean alternative fuel vehicles to school districts, transit

agencies, or local governments; or (3) acquire or install alternative fuel dispensing equipment for motor vehicles or electric vehicles. Various tax credit schedules are provided for each alternative. The tax credits terminate after December 31, 2009.

Retail sales tax and the use tax does not apply until after December 31, 2009, to the sale or lease of a new motor vehicle that is a clean alternative fuel vehicle. Hybrid vehicles must have an average EPA rating of at least 40 mpg to qualify for the sales and use tax exemptions. The tax exemption for hybrid vehicles expires on January 1, 2003, unless it operates solely on an alternative fuel.

Special fuels containing between 19 and 21 percent of domestically produced biodiesel fuel or fuel containing 85 percent ethanol are taxed at a rate of 11 and 1/2 cents per gallon, instead of the regular fuel rate of 23 cents per gallon.

The definition of nonpolluting fuels, for use in calculating the annual license fee option, is expanded to include hydrogen as a fuel. The calculation of the annual license fee for nonpolluting vehicles is recalculated using a multiplier of 11 and 1/2 cents per gallon, instead of the regular fuel rate of 23 cents per gallon.

The Washington State University Energy Program, in consultation with interested state agencies and parties, must conduct an evaluation of the bill's effectiveness in improving air quality and increasing the use of clean alternative fuel vehicles.

The 1991 statute that requires the Department of General Administration to purchase clean fuel vehicles, for at least 30 percent of its fleet, is repealed.

Substitute Bill Compared to Original Bill: The original bill was not considered.

Appropriation: None.

Fiscal Note: Available.

Effective Date: The bill takes effect on August 1, 2001. Various expiration dates are provided.

Testimony For: This bill provides incentives for the use of clean alternative fuel vehicles and the development of associated infrastructure. Motor vehicles are the largest contributor to the state's air pollution problems. If areas of the state violate federal air pollution standards, many of the measures to address those problems focus on industrial sources, restricting new development, and may result in the loss of substantial amounts of federal dollars. The solutions do not focus on the major source of the pollutants - motor vehicles. We should take an incentive approach to addressing the detrimental effects of motor vehicle emissions on the state's air quality.

Testimony Against: None.

Testified: Mike Rhyerd, Puget Sound Clean Air Agency (pro); Larry Medeans, Columbia-Willamette Clean Cities, Inc. (pro); Linda Graham, Puget Sound Clean Cities

Coalition (pro); Baron Glassman, Northwest Propane Gas Association, Arizona Gas Propane Association, National Gas Propane Association (pro).