

SENATE BILL REPORT

SB 6285

As Reported By Senate Committee On:
Environment, Energy & Water, January 31, 2002

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 Regala, Horn, Kline, Jacobsen, Carlson, Rasmussen, Fraser, Kohl-Welles, Eide, Thibaudeau, Fairley, Keiser, McAuliffe, Gardner and Finkbeiner.

Brief History:

Committee Activity: Environment, Energy & Water: 1/24/02, 1/31/02 [DPS-WM, DNP].

SENATE COMMITTEE ON ENVIRONMENT, ENERGY & WATER

Majority Report: That Substitute Senate Bill No. 6285 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, Jacobsen, Keiser and Morton.

Minority Report: Do not pass.

Signed by Senators Hale and McDonald.

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 liquids, 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: (a) operate exclusively on alternative fuels; (b) are hybrid vehicles powered by a combination of sources, such as an electric motor plus an engine powered by gasoline, diesel or an alternative fuel; (c) are heavy-duty hybrid that meet efficiency standards; or (d) operate on a fuel cell. "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.

Hybrid vehicles must have an average EPA rating of at least 40 mpg to qualify for the tax credit. The tax credit for lighter weight hybrid vehicles expires on January 1, 2004, unless it operates solely on an alternative fuel. The rest of the tax credits terminate after December 31, 2010.

Special fuels, containing a minimum of 20 percent biodiesel fuel or fuel containing a minimum of 85 percent ethanol, are taxed at a rate of 11 and ½ 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 ½ 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.

Substitute Bill Compared to Original Bill: The definition of "clean alternative fuel vehicles" is broadened in the substitute bill to include certain heavy-duty hybrid vehicles.

Appropriation: None.

Fiscal Note: Available.

Effective Date: The bill contains several effective dates. Several expiration dates are also included. Please refer to the bill.

Testimony For: This legislation is a necessary element of the comprehensive efforts needed to promote transportation alternatives and reduce the impacts of motor vehicles. This bill seeks to reduce the significant impact of these vehicles on our energy security, environment and public health, by providing incentives to increase the use of clean, alternative fuel vehicles.

The incentives will assist in overcoming the barriers which are currently inhibiting the rapid integration of these vehicles into common usage, including higher vehicle cost, limited availability of alternative fuel infrastructure and the higher cost of some alternative fuels.

The bill is non-regulatory and relies on targeted, short-term incentives to promote positive action. Existing regulatory tools have focused on traditional, industrial sources of air pollution, which will result in only minimal decreases in pollution at significant costs to industry and our economy. The Business and Occupation (B&O) tax credits are designed to address the higher cost of clean alternative fuel vehicles and promote the installation of

additional alternative fuel refueling stations. Credit is also given to businesses providing financial assistance for alternative fuel public transit projects. The fuel tax reduction on alternative fuels will help to make the cost of alternative fuels competitive with gasoline and diesel and are necessary to provide an incentive for certain types of vehicles and fuel use.

Testimony Against: This bill should offer incentives to all fuels that provide equivalent or superior performance, not just a select group of fuels. Tax incentives should be directed at specific legislative goals instead of focusing on specific products. The Legislature should develop performance objectives with certification standards that consider all fuels from the standpoint of energy efficiency.

Testified: PRO: Linda Graham, Puget Sound Clean Cities Coalition; David Kircher, Puget Sound Clean Air Agency; Margaret Corbin, Port of Seattle; David Carr, UW Fleet Manager, National Assn. Of Fleet Administration; Donna Ewing, League of Women Voters; Bill LaBorde, Transportation Choices Coalition; Jim Borst, Washington Auto Dealers; CON: Bill Kidd, BP; Greg Hanon, Western States Petroleum Assn. (concerns).