
Finance Committee

HB 2418

Brief Description: Extending the alternative fuel vehicle retail sales and use tax exemption.

Sponsors: Representatives Fitzgibbon, Orcutt, Ryu, Tarleton, Morrell, Tharinger, Magendanz and Muri.

Brief Summary of Bill

- Extends the alternative fuel vehicle retail sales and use tax exemption to July 1, 2023.
- Requires the Joint Legislative Audit and Review Committee to assess the performance of the tax preference with reference to the intent and public policy objective.

Hearing Date: 1/28/14

Staff: Dominique Meyers (786-7150).

Background:

Retail and Use Tax.

Retail sales taxes are imposed on retail sales of most articles of tangible personal property, digital products, and some services. A retail sale is a sale to the final consumer or end user of the property, digital product, or service. If retail sales taxes were not collected when the user acquired the property, digital products or services, then use taxes applies to the value of property, digital products, or services when used in this state. The state, most cities and all counties levy retail sales and use taxes. The state sales and use tax rate is 6.5 percent; local sales and use tax rates vary from 0.5 percent to 3.1 percent, depending on the location.

Alternative Fuel Vehicles.

Alternative fuel vehicles include cars, trucks, motorcycles and other modes of transportation powered by resources other than petroleum products. They often produce less pollution than similar gasoline or diesel powered vehicles. The federal government and Washington offer tax incentives to encourage consumers to purchase alternative fuel vehicles.

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

Joint Legislative Audit and Review Committee.

In 2013 the Legislature passed Engrossed Substitute Senate Bill 5882 (ESSB 5882), which requires all new tax preference legislation to include a tax preference performance statement. Tax preferences include deductions, exemptions, preferential tax rates, and tax credits. The performance statement must clearly specify the public policy objectives of the tax preference, and the specific metrics and data that will be used by the Joint Legislative Audit and Review Committee (JLARC) to evaluate the efficacy of the tax preference.

ESSB 5882 also establishes an automatic 10-year expiration date for new tax preferences if an alternate expiration date is not provided in the new tax preference legislation.

Summary of Bill:

The expiration data for the sales and use tax exemption is extended to July 1, 2023.

Sellers that electronically file a tax return are required to report tax exemption amounts to the Department of Revenue.

The tax preference performance statement in the bill specifies that the public policy objective is to induce certain behavior and improve industry competitiveness by incentivizing the purchase of alternative fuel vehicles with a sales and use tax exemption. The performance statement requires JLARC to analyze the increase of alternative fuel vehicles sold and compare the price of these tax exempt vehicles with regular fuel vehicles.

Appropriation: None.

Fiscal Note: Available.

Effective Date: The bill takes effect 90 days after adjournment of the session in which the bill is passed.