

SHB 2778 - H AMD 770

By Representative Fey

ADOPTED 02/16/2016

1 Strike everything after the enacting clause and insert the
2 following:

3 "NEW SECTION. **Sec. 1.** This section is the tax preference
4 performance statement for the tax preferences contained in sections 2
5 and 3 of this act. The performance statement is only intended to be
6 used for subsequent evaluation of the tax preference. It is not
7 intended to create a private right of action by any party or be used
8 to determine eligibility for preferential tax treatment.

9 (1) The legislature categorizes the tax preference as one
10 intended to induce certain designated behavior by taxpayers, as
11 indicated in RCW 82.32.808(2)(a).

12 (2) It is the legislature's specific public policy objective to
13 increase the use of clean alternative fuel vehicles in Washington. It
14 is the legislature's intent to extend the existing sales and use tax
15 exemption on certain clean alternative fuel vehicles in order to
16 reduce the price charged to customers for clean alternative fuel
17 vehicles.

18 (3) To measure the effectiveness of the tax preferences in
19 sections 2 and 3 of this act in achieving the public policy
20 objectives described in subsection (2) of this section, the joint
21 legislative audit and review committee must evaluate the number of
22 clean alternative fuel vehicles registered in the state.

23 (4) In order to obtain the data necessary to perform the review
24 in subsection (3) of this section, the department of licensing must
25 provide data needed for the joint legislative audit and review
26 committee analysis. In addition to the data source described under
27 this subsection, the joint legislative audit and review committee may
28 use any other data it deems necessary.

29 **Sec. 2.** RCW 82.08.809 and 2015 3rd sp.s. c 44 s 408 are each
30 amended to read as follows:

1 (1)(a) Except as provided in subsection (4) of this section, the
2 tax levied by RCW 82.08.020 does not apply to sales of new passenger
3 cars, light duty trucks, and medium duty passenger vehicles, which
4 ~~((a))~~ (i) are exclusively powered by a clean alternative fuel or
5 ~~((b))~~ (ii) use at least one method of propulsion that is capable of
6 being reenergized by an external source of electricity and are
7 capable of traveling at least thirty miles using only battery power.

8 (b) Beginning with sales made or lease agreements signed on or
9 after July 1, 2016, the exemption in this section is only applicable
10 for up to thirty-five thousand dollars of a vehicle's selling price
11 or the total lease payments made plus the selling price of the leased
12 vehicle if the original lessee purchases the leased vehicle.

13 (2) The seller must keep records necessary for the department to
14 verify eligibility under this section.

15 (3) As used in this section, "clean alternative fuel" means
16 natural gas, propane, hydrogen, or electricity, when used as a fuel
17 in a motor vehicle that meets the California motor vehicle emission
18 standards in Title 13 of the California code of regulations,
19 effective January 1, 2005, and the rules of the Washington state
20 department of ecology.

21 (4)(a) A sale, other than a lease, of a vehicle identified in
22 subsection (1) of this section made on or after July 15, 2015, and
23 before July 1, 2016, is not exempt from sales tax as described under
24 subsection (1)(a) of this section if the adjusted selling price of
25 the vehicle (~~plus trade-in property of like kind~~) exceeds thirty-
26 five thousand dollars.

27 (b) A sale, other than a lease, of a vehicle identified in
28 subsection (1) of this section made on or after July 1, 2016, and
29 before July 1, 2019, is not exempt from sales tax as described under
30 subsection (1) of this section unless either of the following
31 applies:

32 (i) The adjusted selling price of the vehicle is thirty-eight
33 thousand five hundred dollars or less; or

34 (ii) The adjusted selling price of the vehicle is more than
35 thirty-eight thousand five hundred dollars but no more than forty-two
36 thousand five hundred dollars and either:

37 (A) The vehicle's rated battery energy capacity is thirty
38 kilowatt-hours or more; or

39 (B) The vehicle's driving range on a full battery charge using
40 only battery power is one hundred miles or more.

1 (c) For leased vehicles for which the lease agreement is signed
2 on or after July 1, 2016, and before July 1, 2019, lease payments are
3 not exempt from sales tax as described under subsection (1) of this
4 section unless either of the following applies:

5 (i) The adjusted fair market value of the vehicle being leased is
6 thirty-eight thousand five hundred dollars or less at the inception
7 of the lease; or

8 (ii) The adjusted fair market value of the vehicle being leased
9 is more than thirty-eight thousand five hundred dollars but no more
10 than forty-two thousand five hundred dollars at the inception of the
11 lease and either:

12 (A) The vehicle's rated battery energy capacity is thirty
13 kilowatt-hours or more; or

14 (B) The vehicle's driving range on a full battery charge using
15 only battery power is one hundred miles or more.

16 (d) For leased vehicles for which the lease agreement is signed
17 on or after July 15, 2015, and before July 1, 2016, lease payments
18 are not exempt from sales tax as described under subsection (1)(a) of
19 this section if the adjusted fair market value of the vehicle being
20 leased exceeds thirty-five thousand dollars at the inception of the
21 lease. ((For the purposes of this subsection (4)(b), "fair market
22 value" has the same meaning as "value of the article used" in RCW
23 82.12.010.

24 ~~(e))~~ (e) For leased vehicles for which the lease agreement was
25 signed before July ((15)) 1, 2015, lease payments are exempt from
26 sales tax as described under subsection (1)(a) of this section
27 regardless of the vehicle's adjusted fair market value at the
28 inception of the lease.

29 (f) The adjusted selling price and adjusted fair market value
30 limits used to determine exemption eligibility in (b)(i), (b)(ii),
31 (c)(i), and (c)(ii) of this subsection are raised by five hundred
32 dollars on January 1st of each calendar year, beginning January 1,
33 2017. The adjusted selling price and the adjusted fair market value
34 limits used to determine exemption eligibility for a sale or lease
35 under this section are the limits in effect for the calendar year
36 during which the sale is made or the lease agreement is signed.
37 Exemption eligibility for a leased vehicle is determined at the time
38 a lease agreement is signed, and applies to the sale of the leased
39 vehicle by the lessor to the original lessee during or at the end of
40 the lease term, but before July 1, 2019.

1 (5) On the last day of January, April, July, and October of each
2 year, the state treasurer, based upon information provided by the
3 department, must transfer from the multimodal transportation account
4 to the general fund a sum equal to the dollar amount that would
5 otherwise have been deposited into the general fund during the prior
6 calendar quarter but for the exemption provided in this section.
7 Information provided by the department to the state treasurer must be
8 based on the best available data, except that the department may
9 provide estimates of taxes exempted under this section until such
10 time as retailers are able to report such exempted amounts on their
11 tax returns. For purposes of this section, the first transfer for the
12 calendar quarter after July 15, 2015, must be calculated assuming
13 only those revenues that should have been deposited into the general
14 fund beginning July 1, 2015.

15 (6) Lease payments due on or after July 1, 2019, and the purchase
16 of a leased vehicle exempt under this section that is purchased on or
17 after July 1, 2019, are subject to the taxes imposed under this
18 chapter.

19 (7) For the purposes of this section:

20 (a) "Adjusted fair market value" has the same meaning as "value
21 of the article used" as defined in RCW 82.12.010 plus the value of
22 any trade-in property of like kind.

23 (b) "Adjusted selling price" has the same meaning as "selling
24 price" as defined in RCW 82.08.010 plus the value of any trade-in
25 property of like kind.

26 (8) This section expires July 1, 2019.

27 **Sec. 3.** RCW 82.12.809 and 2015 3rd sp.s. c 44 s 409 are each
28 amended to read as follows:

29 (1)(a) Except as provided in subsection (4) of this section,
30 (~~until July 1, 2019,~~) the provisions of this chapter do not apply
31 in respect to the use of new passenger cars, light duty trucks, and
32 medium duty passenger vehicles, which (~~(a)~~) (i) are exclusively
33 powered by a clean alternative fuel or (~~(b)~~) (ii) use at least one
34 method of propulsion that is capable of being reenergized by an
35 external source of electricity and are capable of traveling at least
36 thirty miles using only battery power.

37 (b) Beginning with purchases made or lease agreements signed on
38 or after July 1, 2016, the exemption in this section is only
39 applicable for up to thirty-five thousand dollars of a vehicle's

1 purchase price or the total lease payments made plus the purchase
2 price of the leased vehicle if the original lessee purchases the
3 leased vehicle.

4 (2) The definitions in RCW 82.08.809 apply to this section.

5 (3) A taxpayer is not liable for the tax imposed in RCW 82.12.020
6 on the use, on or after July 1, 2019, of a passenger car, light duty
7 truck, or medium duty passenger vehicle that is exclusively powered
8 by a clean alternative fuel or uses at least one method of propulsion
9 that is capable of being reenergized by an external source of
10 electricity and is capable of traveling at least thirty miles using
11 only battery power, if the taxpayer used such vehicle in this state
12 before July 1, 2019, and the use was exempt under this section from
13 the tax imposed in RCW 82.12.020.

14 (4)(a) For vehicles identified in subsection (1) of this section
15 purchased on or after July 1, 2016, and before July 1, 2019, or for
16 leased vehicles identified in subsection (1) of this section for
17 which the lease agreement was signed on or after July 1, 2016, and
18 before July 1, 2019, a vehicle is not exempt from use tax as
19 described under subsection (1)(a) of this section unless either of
20 the following applies:

21 (i) The adjusted fair market value of the vehicle is thirty-eight
22 thousand five hundred dollars or less at the time the tax is imposed
23 for purchased vehicles or at the inception of the lease for leased
24 vehicles; or

25 (ii) The adjusted fair market value of the vehicle is more than
26 thirty-eight thousand five hundred dollars but no more than forty-two
27 thousand five hundred dollars at the time the tax is imposed for
28 purchased vehicles or at the inception of the lease for leased
29 vehicles and either:

30 (A) The vehicle's rated battery energy capacity is thirty
31 kilowatt-hours or more; or

32 (B) The vehicle's driving range on a full battery charge using
33 only battery power is one hundred miles or more.

34 (b) For vehicles purchased on or after July 15, 2015, and before
35 July 1, 2016, or for leased vehicles for which the lease agreement
36 was signed on or after July 15, 2015, and before July 1, 2016, a
37 vehicle is not exempt from use tax as described under subsection (1)
38 of this section if the adjusted fair market value of the vehicle
39 exceeds thirty-five thousand dollars at the time the tax is imposed

1 for purchased vehicles, or at the inception of the lease for leased
2 vehicles.

3 ~~((b))~~ (c) For leased vehicles for which the lease agreement was
4 signed before July ~~((15))~~ 1, 2015, lease payments are exempt from use
5 tax as described under subsection (1) of this section regardless of
6 the vehicle's adjusted fair market value at the inception of the
7 lease.

8 (d) The adjusted fair market value limits used to determine
9 exemption eligibility in (a)(i) and (ii) of this subsection are
10 raised by five hundred dollars on January 1st of each calendar year,
11 beginning January 1, 2017. The adjusted fair market value limits used
12 to determine exemption eligibility for a sale or lease under this
13 section are the limits in effect for the calendar year during which
14 the sale is made or the lease agreement is signed. Exemption
15 eligibility for a leased vehicle is determined at the time a lease
16 agreement is signed, and applies to the sale of the leased vehicle by
17 the lessor to the original lessee during or at the end of the lease
18 term, but before July 1, 2019.

19 (5) On the last day of January, April, July, and October of each
20 year, the state treasurer, based upon information provided by the
21 department, must transfer from the multimodal transportation account
22 to the general fund a sum equal to the dollar amount that would
23 otherwise have been deposited into the general fund during the prior
24 calendar quarter but for the exemption provided in this section.
25 Information provided by the department to the state treasurer must be
26 based on the best available data. For purposes of this section, the
27 first transfer for the calendar quarter after July 15, 2015, must be
28 calculated assuming only those revenues that should have been
29 deposited into the general fund beginning July 1, 2015.

30 (6) Lease payments due on or after July 1, 2019, and the purchase
31 of a leased vehicle exempt under this section that is purchased on or
32 after July 1, 2019, are subject to the taxes imposed under this
33 chapter.

34 NEW SECTION. Sec. 4. This act takes effect July 1, 2016."

35 Correct the title.

EFFECT: Shortens the time during which leased qualifying vehicles (with lease agreements signed before July 1, 2019) are eligible for the retail sales and use tax exemption by 42 months to July 1, 2019.

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