

HOUSE BILL REPORT

HB 2087

As Reported by House Committee On: Transportation

Title: An act relating to clean alternative fuel vehicles, including electric vehicles and electric vehicle charging infrastructure.

Brief Description: Concerning vehicles powered by clean alternative fuel.

Sponsors: Representatives Fey and Muri.

Brief History:

Committee Activity:

Transportation: 2/24/15, 4/1/15 [DPS].

Brief Summary of Substitute Bill

- Extends an exemption from retail sales and use taxes for the sale of certain new and used vehicles but limits this exemption to only vehicles valued at \$35,000 or less.
- Applies a current \$100 annual registration renewal fee to certain vehicles that may be reenergized by an external source of electricity.
- Establishes an additional \$50 fee on the registration renewal of certain vehicles, depositing the revenues from this fee into a dedicated account.
- Directs the Washington State Department of Transportation to establish a pilot program to provide one-time loans and grants, under certain circumstances, to bidders that join with a private sector partner in developing electric vehicle charging infrastructure.

HOUSE COMMITTEE ON TRANSPORTATION

Majority Report: The substitute bill be substituted therefor and the substitute bill do pass. Signed by 17 members: Representatives Clibborn, Chair; Farrell, Vice Chair; Fey, Vice Chair; Orcutt, Ranking Minority Member; Hargrove, Assistant Ranking Minority Member; Bergquist, Gregerson, Harmsworth, Hayes, Kochmar, McBride, Moeller, Riccelli, Rodne, Sells, Tarleton and Zeiger.

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.

Minority Report: Do not pass. Signed by 3 members: Representatives Shea, Takko and Young.

Minority Report: Without recommendation. Signed by 1 member: Representative Wilson.

Staff: Andrew Russell (786-7143).

Background:

Electric Vehicle Ownership in Washington.

As of December 31, 2014, there were over 8,200 battery electric vehicles (EVs) registered in Washington, and there were an additional 3,500 plug-in hybrid EV. Battery EVs use only battery power to drive the wheels of the vehicle, and common examples include the Nissan Leaf, Tesla Model S and Roadster, BMW i3 and i8, and the Ford Focus Electric. Plug-in hybrid vehicles, however, may use a conventional internal combustion engine in addition to battery power to drive the wheels of the vehicle. Common examples of plug-in hybrid vehicles include the Chevrolet Volt (Volt) and the Toyota Prius Plug-In.

Electric Vehicle Charging Infrastructure.

There are three common commercially available EV charging power levels. The lowest power, Level 1, uses a standard outlet and can take over 12 hours to fully charge a vehicle. A Level 2 charger can fully charge a vehicle in less than eight hours, and the most powerful, a DC fast charger, can charge a vehicle to 80 percent capacity in around 20 minutes. Most battery EVs can use any of these chargers; plug-in hybrid vehicles, however, can use only Level 1 or Level 2 charging infrastructure.

A study directed by the Joint Transportation Committee found that there are 418 Level 2 charging stations in Washington, providing 893 charging ports at these locations. Additionally, the study counted 42 DC fast charging stations offering 76 charging ports. Twelve of the DC fast charging stations and two of the Level 2 charging stations were funded by a federal grant and make up Washington's portion of the West Coast Green Highway.

Electric Vehicle Tax Exemption and Registration Renewal Fee.

New passenger cars, light-duty trucks, and medium-duty passenger vehicles are exempt from retail sales and use taxes if the vehicle is exclusively powered by a clean alternative fuel, including electricity. A used passenger car, light-duty truck, and medium-duty passenger vehicle is also exempt from retail sales and use taxes if the vehicle was modified to be exclusively powered by a clean alternative fuel, is part of a fleet of at least five vehicles, has an odometer reading of less than 30,000 miles, is less than two years old, and is being sold for the first time after modification. These exemptions expire July 1, 2015.

Upon the renewal of a vehicle that uses propulsion units powered solely by electricity and that can travel faster than 35 miles per hour, the Department of Licensing (DOL) must require the applicant to pay, in addition to any other fees or taxes, a \$100 fee. This fee must be deposited into the Motor Vehicle Account and used solely for highway purposes. If the total revenue collected by this fee exceeds \$1 million, equal portions of the excess amount are directed to both the Transportation Improvement Account and the Rural Arterial Trust Account.

The Department of Revenue (DOR) and the DOL work together to determine which vehicles are eligible for the tax exemptions and which are subject to additional registration renewal fees. Pursuant to the DOR guidance, a vehicle is exempt from sales and use taxes only if it will be subject to the additional \$100 EV registration fee.

Summary of Substitute Bill:

Electric Vehicle Tax Exemption.

The exemption from retail sales and use taxes of the sales of new and qualifying used passenger cars, light duty trucks, and medium duty passenger vehicles, which is set to expire on July 1, 2015, is extended to July 1, 2019. These exemptions are applied to vehicles that either (1) are exclusively powered by a clean alternative fuel, or (2) use at least one method of propulsion that is capable of being reenergized by an external source of electricity and are capable of traveling at least 30 miles using only battery power. A used vehicle also qualifies for these exemptions if it meets the power source requirements and if it is less than four years old.

These exemptions, however, are limited to only vehicles with a selling price, together with trade-in property of like kind, of \$35,000 or less. Additionally, a leased vehicle qualifies for these exemptions if the fair market value of the vehicle is \$35,000 or less.

Electric Vehicle Registration Renewal Fee.

The \$100 fee that is due upon the registration renewal of a vehicle that uses propulsion units powered solely by electricity is increased to \$150. Additionally, the \$100 fee and the \$50 additional fee are imposed on the registration renewal of a vehicle that uses at least one method of propulsion that is capable of being reenergized by an external source of electricity and is capable of traveling at least 30 miles using only battery power. The revenues generated from the additional \$50 fee are deposited in the Electric Vehicle Charging Infrastructure Account.

Electric Vehicle Infrastructure Grants and Loans.

The Washington State Department of Transportation's (WSDOT) Public-Private Partnership Office must develop a pilot program that provides grants or loans in concert with private financing to support the deployment of EV charging infrastructure. As a part of this program, the WSDOT must define corridors in which bidders may propose projects, but bidders may also propose their own corridors if the WSDOT has adopted rules regarding such proposals. Additionally, bidders must: (1) have private sector partners who stand to gain indirect value from the development of a project; (2) demonstrate that the proposed project will be valuable to EV drivers; (3) propose projects that are expected to be profitable and sustainable; and (4) specify how the projects capture indirect value for the private partner. The WSDOT may adopt rules to implement these requirements and may also conduct preliminary workshops with potential bidders in designing the pilot program.

After selecting a successful proposer, the WSDOT may provide a loan or grant to the proposer. Such a loan or grant may be provided only once per project. Additionally, the loan

and grant funds must come from the Electric Vehicle Charging Infrastructure Account, which is created by the act.

Multimodal Account Loan.

The Office of the State Treasurer must transfer \$1 million from the Multimodal Transportation Account to the Electric Vehicle Charging Infrastructure Account. This initial loan is to be repaid in \$100,000 annual increments from revenues that are generated by the \$50 increase to the registration renewal fees established by the act.

Substitute Bill Compared to Original Bill:

The substitute bill applies the retail sales and use tax exemptions to vehicles with a value of \$35,000 or less, while the original bill applied such exemptions to only the first \$35,000 of the vehicle price, regardless of the total cost of the vehicle. The original bill applied such exemptions only to vehicles that are exclusively powered by a clean alternative fuel, while the substitute bill also applies these tax exemptions to vehicles that use at least one method of propulsion that is capable of being reenergized by an external source of electricity and are capable of traveling at least 30 miles using only battery power. The substitute bill also removes certain requirements regarding which used vehicles would qualify for such tax exemptions.

The substitute bill applies the current \$100 annual registration renewal fee to vehicles that use at least one method of propulsion that is capable of being reenergized by an external source of electricity and are capable of traveling at least 30 miles using only battery power, and it imposes an additional \$50 fee to those vehicles and vehicles that are exclusively powered by a clean alternative fuel. The original bill increased the current \$100 fee to \$150 and established a new \$25 fee that would apply to plug-in hybrid vehicles.

The substitute bill clarifies that projects are eligible to receive only one loan or grant from the WSDOT, and it removes monetary caps that were applied to such loans or grants in the original bill.

Appropriation: None.

Fiscal Note: Available.

Effective Date of Substitute Bill: The bill contains an emergency clause and takes effect July 1, 2015, except for section 6, relating to creating the Electric Vehicle Charging Infrastructure Account; section 7, relating to annual registration renewal fees for certain vehicles, which take effect on July 1, 2016; and section 10, relating to the distribution of the interest earned on certain state funds, which takes effect on the date the requirements in section 7, Chapter 36, Laws of 2012 are met.

Staff Summary of Public Testimony:

(In support) This bill provides time for the electric vehicle industry to develop in Washington through the sales tax exemption, with the modification that the exemption is not available above \$35,000. Additionally, this bill takes the recommendations from a Joint Transportation Committee study done this previous interim regarding infrastructure. The notion is to seed the infrastructure with a loan and have the vehicle owners who use the infrastructure support the development of the infrastructure. The investments would be funded by a public-private partnership and by the users themselves.

This bill would extend a successful policy intended to spur development of electric vehicles. This policy is working: as sales volumes have increased, the price has dropped. Currently in Washington, just one of every 1,000 vehicles is an electric vehicle. The state needs 20 times more growth to reach the state's goal of 50,000 electric vehicles by 2020. This policy is good for the environment and for the economy of the state. This bill would have a comparatively small fiscal impact.

Electric vehicles use a clean and cheap electricity system in Washington, providing economic and environmental benefits. Support for this industry for a few more product cycles will allow the development of vehicles that people can afford providing the range that people need. Economic literature supports these incentives. It might be counterproductive to offer a sales tax exemption but require drivers to pay additional fees upon registration renewal.

(In support with concerns) Currently, the Volt does not qualify for the sales tax exemption, but it should be included in this bill. The number of miles Volt owners travel on battery is equal to those traveled by drivers of all-electric vehicles. Other electric vehicles with generators qualify, while the Volt does not.

(Opposed) None.

Persons Testifying: (In support) Representative Fey, prime sponsor; Michael Mann, Nissan of North America; and J.J. McCoy, Seattle Electric Vehicle Association.

(In support with concerns) Becky Bogard, General Motors.

Persons Signed In To Testify But Not Testifying: None.