

SENATE BILL REPORT

2ESHB 2778

As of Second Reading

Title: An act relating to retail sales and use tax exemption criteria for certain clean alternative fuel vehicles.

Brief Description: Modifying retail sales and use tax exemption criteria for certain clean alternative fuel vehicles.

Sponsors: House Committee on Transportation (originally sponsored by Representatives Fey, Orcutt, Clibborn, McBride, Moscoso, Hickel, Stambaugh, Bergquist, Tharinger and Tarleton).

Brief History: Passed House: 2/16/16, 65-32; 3/29/16, 66-29.

Committee Activity: Transportation: 2/24/16

SENATE COMMITTEE ON TRANSPORTATION

Staff: Kellee Keegan (786-7429)

Background: Tax Exemption - Sales. As of July 15, 2015, a retail sales and use tax exemption is provided for new passenger cars, light duty trucks, and medium duty passenger vehicles that: (1) have a selling price plus trade-in property value or that have a fair market value of \$35,000 or less; and (2) are either exclusively powered by a clean alternative fuel or 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. Typical applications of this exemption are for electric vehicles and plug-in hybrid vehicles. This exemption expires July 1, 2019.

Tax Exemption - Leases. Leases with lease agreements that were signed before July 1, 2015, and since 2005, on vehicles powered by a clean alternative fuel are eligible for a tax exemption for the full selling price or fair market value of the vehicle.

Account Transfer. At the end of each quarter, the State Treasurer must transfer from the Multimodal Transportation Account to the General Fund the amount that would otherwise have been deposited into the General Fund if not for this tax exemption.

Summary of Bill: Effective July 1, 2016, the retail sales and use tax exemption is modified for certain clean alternative fuel and electrically powered vehicles by: (1) increasing the tax

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exemption threshold to \$42,500 of a vehicle's base model Manufacturer's Suggested Retail Price (MSRP) as determined by the Department of Licensing (DOL); (2) limiting the exempted amount for all qualifying vehicles to the first \$32,000 of the selling price or total lease payments made; (3) requiring the DOL to maintain a list of qualifying models of vehicle for the exemption based on its MSRP; and (4) modifying the expiration of the exemption to two months following the determination that 7,500 qualified vehicles have been titled, with an ultimate expiration of June 30, 2019 regardless of the number of titled vehicles.

The Department of Revenue must provide notice on its website of the expiration of the exemption and report to the transportation committees of the legislature on a semi-annual basis the number of eligible vehicles that have been titled. Leased vehicles must continue to receive the tax exemption through the life of the lease if signed before the expiration of the exemption.

Appropriation: None.

Fiscal Note: Available. New fiscal note requested on March 29, 2016.

Committee/Commission/Task Force Created: No.

Effective Date: The bill takes effect on July 1, 2016.