

SENATE BILL REPORT

SB 5333

As of March 21, 2015

Title: An act relating to extending the sales and use tax exemption for clean alternative fuel vehicles.

Brief Description: Extending the sales and use tax exemption for clean alternative fuel vehicles.

Sponsors: Senators Mullet, Litzow, Hill, McCoy, Keiser and Jayapal.

Brief History:

Committee Activity: Transportation: 2/04/15, 2/25/15 [DPS-WM, DNP].
Ways & Means: 3/25/15.

SENATE COMMITTEE ON TRANSPORTATION

Majority Report: That Substitute Senate Bill No. 5333 be substituted therefor, and the substitute bill do pass and be referred to Committee on Ways & Means.

Signed by Senators King, Chair; Fain, Vice Chair; Liias, Assistant Ranking Minority Member; Cleveland, Ericksen, Habib, Jayapal, Litzow and Miloscia.

Minority Report: Do not pass.

Signed by Senators Baumgartner, Pedersen and Rivers.

Staff: Kim Johnson (786-7472)

SENATE COMMITTEE ON WAYS & MEANS

Staff: Dean Carlson (786-7305)

Background: As of December 31, 2014, there were 11,829 plug-in electric vehicles registered in Washington. The Washington State Department of Transportation (WSDOT) reports that there are approximately 450 electric vehicle charging stations in Washington, 45 of which are DC fast chargers. The charging equipment is located primarily in the Puget Sound region, along I-5, and around Vancouver. Other than a potential new DC charging station in Moses Lake, there are currently no DC fast-charging stations east of Cle Elum along I-90.

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.

The West Coast Electric Highway initiative has developed over the past five years. It is a network of electric vehicle fast-charging stations located every 25 to 50 miles along I-5 and other major roadways and stretches from the Canadian border to the Mexican border. There are 14 stations in Washington that are associated with the West Coast Electric Highway. Through a competitive contract award process, AeroVironment was selected to manufacture, supply, install, operate, and maintain a network of DC fast-charging stations which power an electric vehicle from zero to fully charged in less than 30 minutes. Each location also includes a Level 2 medium-speed charger, which all plug-in electric vehicles can use to top off or get a slower charge – four to seven hours to fully recharge.

The sales and use tax exemption for alternative fuel vehicles is set to expire on July 1, 2015. Qualifying vehicles must operate exclusively on natural gas, propane, hydrogen, or electricity; meet California motor vehicle emissions standards; and comply with the Department of Ecology rules.

Summary of Bill: The bill as referred to committee not considered.

Summary of Bill (Recommended Substitute): The sales and use tax exemption for alternative fuel vehicles is extended until July 1, 2021. The exemption only applies to the first \$40,000 of sales price or value of qualifying passenger cars, light duty trucks, and medium duty passenger vehicles. Any sales and use tax collected on sales price or value of a qualifying vehicle above \$40,000 as determined by the Department of Revenue, must be transferred to the Transportation Innovative Partnership account on a quarterly basis.

Tax Preference Statement. These tax preferences expire six years after the date of enactment. A tax preference statement is made that identifies an intended policy outcome of increasing the use of clean alternative fuel vehicles in Washington. If the number of clean alternative fuel vehicles in Washington has increased by 20 percent by July 1, 2021, it is stated that the Legislature intends to extend the tax preference.

EFFECT OF CHANGES MADE BY TRANSPORTATION COMMITTEE (Recommended Substitute): The electric vehicle charging infrastructure bank and the new electric vehicle charging infrastructure account are removed.

The sales and use tax exemption cap for alternative fuel vehicles is lowered to \$40,000 of the sales price or value of a qualifying passenger car, light duty trucks, and medium duty passenger vehicles.

Sales and use tax collected above \$40,000 must be transferred to the Transportation Innovative Partnership account.

Appropriation: None.

Fiscal Note: Available.

Committee/Commission/Task Force Created: No.

Effective Date: The bill contains an emergency clause and takes effect on July 1, 2015.

Staff Summary of Public Testimony on Proposed Substitute as Heard in Committee (Transportation): PRO: As one of the leaders of the electric vehicle caucus and an Advisory Board member from the Joint Transportation Committee (JTC) study on sustainable business models for electric vehicle infrastructure, I brought this bill forward to try to further the use of these vehicles in Washington. The JTC study has shown that the business of operating electric vehicle charging stations is not ready to fully stand on its own. This is not an indefinite extension for the sales tax exemption. The idea is if you can afford to buy a electric vehicle that is more than \$45,000 then you can afford the sales tax and that money can be used to improve the charging network. We try to make it technology neutral for the tax incentive.

This is a smart strategy and the incentives work. This keeps the policy to try to keep cars affordable and available to more buyers. Electricity in Washington is a domestic source of energy and is relatively inexpensive and electric vehicles probably make more sense in this state than any other. I support the idea of creating more charging infrastructure to make travel possible for vehicles with lower battery range. This is one of the cheapest ways we have to achieving emissions goals. The current DC fast charging system along the Interstate is a skeletal system. There is little to no redundancy. We need more charging available in rural areas. Installation costs are the biggest hurdle in the charging infrastructure arena and this bill will help with that. The petroleum industry had over 80 years to perfect its delivery system; electric vehicles had only five. This bill helps this fledgling industry continue to move forward.

CON: Electric vehicle owners only pay \$100 per year to support our roads. This is not anywhere near what gasoline-powered vehicles pay for our transportation system. We can argue what incentives best help this industry, but what we feel the key issue that no one is talking about is that everybody ought to support the transportation system in the same way.

OTHER: The extension of the sales tax exemption encourages the purchase of electric vehicles. These vehicles on average are more expensive than regular cars. General Motor's Chevy Volt runs off a battery and only switches to the back-up gas-powered engine when it needs to briefly recharge its battery. Because of this it is not included in the definition of vehicles eligible for the sales tax credit. We ask that you change this so Chevy Volts are included as a clean alternative fuel vehicle if the bill moves forward.

Persons Testifying (Transportation): PRO: Senator Mullet, prime sponsor; JJ McCoy, Mark Schiller, Seattle Electric Vehicle Assn.; Jeremy Smithson, EV Support, Puget Sound Solar LLC; Isaac Kastama, WA Business Alliance; Steve Marshall, Center for Alternative Transportation and Energy Solutions; Tony Talton, Nissan of the Eastside; Michael Mann, Nissan of North America; Kimberley Cline, Western WA Clean Cities; David Kiker, WA Electric Vehicle Advocacy PAC, Treasurer; Charles Knutson, Governor's Office.

CON: Rick Wickman, Identity Clark County.

OTHER: Cliff Webster, General Motors.