

SENATE BILL REPORT

SB 5445

As of February 9, 2015

Title: An act relating to extending the alternative fuel vehicle retail sales and use tax exemption.

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

Sponsors: Senators Liias, Litzow and Jayapal; by request of Governor Inslee.

Brief History:

Committee Activity: Energy, Environment & Telecommunications: 2/05/15.

SENATE COMMITTEE ON ENERGY, ENVIRONMENT & TELECOMMUNICATIONS

Staff: Jeff Olsen (786-7428)

Background: Sales tax is imposed on the retail sales of most items of tangible personal property and some services. The use tax is imposed on the same privilege of using tangible personal property or services in instances where the sales tax does not apply. In 2005 the Legislature enacted legislation exempting the sales and use tax on the purchase of new motor vehicles which are powered by alternative fuels. Alternative fuels include natural gas, propane, hydrogen, or electricity when used as a fuel in a motor vehicle that meets the California motor vehicle emission standards effective July 1, 2005. In 2010 the sales and use tax exemption was expanded to include qualifying used vehicles that were modified after the initial purchase to be powered by a clean alternative fuel. The exemption expires on July 1, 2015.

Summary of Bill: The sales tax exemption for the sale of new and used qualifying vehicles powered exclusively by a clean alternative fuel is extended from July 1, 2015, to July 1, 2025. The sales tax exemption is capped at the first \$60,000 of the purchase price for new and used vehicles.

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.

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.

Staff Summary of Public Testimony: PRO: Gasoline-powered automobiles are a significant source of greenhouse gas emissions. Extending the sales and use tax credit is one of the most effective tools in boosting sales of clean alternative fuel vehicles. A typical electric vehicle costs around \$10,000 more than a conventional gasoline counterpart, and the exemption helps support the industry while improvements and cost reductions can be achieved with the new clean-fuel automobiles. Reducing emissions will help Washington achieve its greenhouse gas reduction goals, improve public health, promote energy independence, and strengthen local economies by supporting local utilities. There is a cap on the exemption of \$60,000 to the credit which will not include luxury vehicle purchases.

OTHER: Out-of-state purchases are promoted by capping the in-state purchase of a vehicle at \$60,000 while not capping the use tax on vehicles brought into Washington, which would discourage purchases from Washington dealers. The performance of the tax incentive should be measured by the number of qualifying vehicles registered in Washington. The use of pricing and sales tax reporting creates a series of challenges, including placing burdens on dealers for tracking the value of the exemption. The definition of vehicles that qualify for the exemption needs to be expanded to include certain qualified plug-in electric drive vehicles that are propelled to a significant extent by an electric motor.

Persons Testifying: PRO: Senator Liias, prime sponsor; JJ McCoy, Seattle Electric Vehicle Assn.; Michael Mann, Nissan of North America; Charles Knutson, Governor's Office.

Signed In, Unable to Testify & Submitted Written Testimony: PRO: Kimberley Cline, Western WA Clean Cities Coalition.

OTHER: Scott Hazlegrove, WA State Auto Dealers Assn.; Becky Bogard, General Motors.