
HOUSE BILL 1396

State of Washington

64th Legislature

2015 Regular Session

By Representatives Clibborn, Orcutt, Fey, Zeiger, Fitzgibbon,
Farrell, Tarleton, Peterson, McBride, Gregerson, and Goodman

Read first time 01/20/15. Referred to Committee on Transportation.

1 AN ACT Relating to incentivizing the use of alternative fuel
2 commercial use vehicles with tax preferences; adding a new section to
3 chapter 82.08 RCW; adding a new section to chapter 82.12 RCW; adding
4 a new section to chapter 82.04 RCW; adding a new section to chapter
5 82.16 RCW; creating a new section; providing an effective date; and
6 providing expiration dates.

7 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

8 **Legislative Findings and Tax Performance Statement**

9 NEW SECTION. **Sec. 1.** (1) This act is known and may be cited as
10 the clean fuel vehicle incentives act.

11 (2) The legislature finds that cleaner fuels reduce greenhouse
12 gas emissions in the transportation sector and lead to a more
13 sustainable environment. The legislature further finds that
14 alternative fuel vehicles cost more than comparable models of
15 conventional fuel vehicles, particularly in the commercial market.
16 The legislature further finds the higher cost of alternative fuel
17 vehicles incentivize companies to purchase comparable models of
18 conventional fuel vehicles. The legislature further finds that other
19 states provide various tax credits and exemptions. The legislature
20 further finds incentivizing businesses to purchase cleaner,

1 alternative fuel vehicles is a collaborative step toward meeting the
2 state's climate and environmental goals.

3 (3)(a) This subsection is the tax preference performance
4 statement for the clean alternative fuel vehicle tax exemptions and
5 credits provided in sections 2 through 5 of this act. The performance
6 statement is only intended to be used for subsequent evaluation of
7 the tax preference. It is not intended to create a private right of
8 action by any party or be used to determine eligibility for
9 preferential tax treatment.

10 (b) The legislature categorizes the tax preference as one
11 intended to induce certain designated behavior by taxpayers.

12 (c) It is the legislature's specific public policy objective to
13 provide a sales and use tax exemption and credits to the business and
14 occupation and public utility taxes to increase sales of commercial
15 vehicles that use clean alternative fuel vehicles by ten percent by
16 2026.

17 (d) To measure the effectiveness of the exemption provided in
18 this act in achieving the specific public policy objective described
19 in (c) of this subsection, the joint legislative audit and review
20 committee must, at minimum, evaluate the changes in the number of
21 commercial vehicles that are powered by clean alternative fuel that
22 are registered in Washington state.

23 (e)(i) The department of licensing must provide data needed for
24 the joint legislative audit and review committee's analysis in (d) of
25 this subsection.

26 (ii) In addition to the data source described under (e)(i) of
27 this subsection, the joint legislative audit and review committee may
28 use any other data it deems necessary in performing the evaluation
29 under (d) of this subsection.

30 **Sales and Use Tax Exemptions on Commercial Vehicles**

31 NEW SECTION. **Sec. 2.** A new section is added to chapter 82.08
32 RCW to read as follows:

33 (1)(a) The tax levied by RCW 82.08.020 does not apply to sales of
34 new commercial vehicles, which are sold with propulsion units that
35 can be principally powered by a clean alternative fuel.

36 (b) The tax levied by RCW 82.08.020 does not apply to sales of
37 qualifying used commercial vehicles, which were modified after the
38 initial purchase, with a United States environmental protection

1 agency certified conversion that would allow the propulsion units to
2 be principally powered by a clean alternative fuel.

3 (c) The tax levied by RCW 82.08.020 does not apply to costs to
4 modify a commercial vehicle as described in (b) of this subsection.
5 Costs include sales of tangible personal property that are
6 incorporated into the vehicle and to sales of, or charges made for,
7 labor and services used to modify the vehicle.

8 (2) The department must provide a separate tax reporting line for
9 exemption amounts claimed under this section.

10 (3) The definitions in this subsection apply throughout this
11 section unless the context clearly requires otherwise.

12 (a) "Commercial vehicle" means any vehicle that is purchased by a
13 private business and that is used exclusively in the transportation
14 of commodities, merchandise, produce, refuse, freight, or animals,
15 and that is displaying a Washington state license plate.

16 (b) "Clean alternative fuel" means electricity, gasohol with at
17 least twenty percent denatured alcohol content, hydrogen, hythane,
18 methane, methanol, natural gas, liquefied natural gas, compressed
19 natural gas, or propane.

20 (c) "Qualifying used commercial vehicle" means vehicles that:

21 (i) Have an odometer reading of less than thirty thousand miles;

22 (ii) Are less than two years past their original date of
23 manufacture; and

24 (iii) Are being sold for the first time after modification.

25 (4)(a) Beginning November 25, 2015, and on the 25th of February,
26 May, August, and November of each year thereafter, the department
27 must notify the state treasurer of the amount of the exemption taken
28 under this section as reported on returns filed with the department
29 during the preceding calendar quarter ending on the last day of
30 December, March, June, and September, respectively.

31 (b) On the last day of March, June, September, and December of
32 each year, the state treasurer, based upon information provided by
33 the department, must transfer a sum equal to the dollar amount of the
34 exemptions provided under this section from the multimodal
35 transportation account to the general fund.

36 (5) This section expires January 1, 2026.

37 NEW SECTION. **Sec. 3.** A new section is added to chapter 82.12
38 RCW to read as follows:

1 (1)(a) The provisions of this chapter do not apply in respect to
2 the use of new commercial vehicles, which are sold with propulsion
3 units that can be principally powered by a clean alternative fuel.

4 (b) The provisions of this chapter do not apply to the use of
5 qualifying used commercial vehicles, which were modified after their
6 initial purchase with a United States environmental protection agency
7 certified conversion that would allow the propulsion units to be
8 principally powered by a clean alternative fuel.

9 (c) The provisions of this chapter do not apply to costs to
10 modify a commercial vehicle as described in (b) of this subsection.
11 Costs include sales of tangible personal property that are
12 incorporated into the vehicle and to sales of, or charges made for,
13 labor and services used to modify the vehicle.

14 (2) The exemptions provided in this section do not apply with
15 respect to new commercial vehicles and qualifying used commercial
16 vehicles acquired after December 31, 2025, or to modifications made
17 after December 31, 2025.

18 (3)(a) Beginning November 25, 2015, and on the 25th of February,
19 May, August, and November of each year thereafter, the department
20 must notify the state treasurer of the amount of the exemption taken
21 under this section as reported on returns filed with the department
22 during the preceding calendar quarter ending on the last day of
23 December, March, June, and September, respectively.

24 (b) On the last day of March, June, September, and December of
25 each year, the state treasurer, based upon information provided by
26 the department, must transfer a sum equal to the dollar amount of the
27 exemptions provided under this section from the multimodal
28 transportation account to the general fund.

29 (4) The definitions in section 2 of this act apply to this
30 section.

31 **Business and Occupation Tax and Public Utility Tax Credits**

32 NEW SECTION. **Sec. 4.** A new section is added to chapter 82.04
33 RCW to read as follows:

34 (1) A person who is taxable under this chapter is allowed a
35 credit against the tax imposed in this chapter for the lesser of
36 twenty-five thousand dollars or fifteen percent of the purchase price
37 of a new or qualifying used clean alternative fuel commercial
38 vehicle.

1 (2) A person who is taxable under this chapter is allowed a
2 credit against the tax imposed in this chapter for the lesser of
3 twenty-five thousand dollars or thirty percent of the costs of
4 converting a commercial vehicle to be powered by a clean alternative
5 fuel with a United States environmental protection agency certified
6 conversion.

7 (3) The total credits under this section may not exceed two
8 hundred fifty thousand dollars per person per calendar year.

9 (4) A person may not receive credit under this section for
10 amounts claimed as credits under chapter 82.16 RCW.

11 (5) Credits are available on a first-in-time basis. The
12 department must disallow any credits, or portion thereof, that would
13 cause the total amount of credits claimed under this section, and
14 section 5 of this act, during any calendar year to exceed six million
15 dollars. The department must provide notification on its web site
16 monthly on the amount of credits that have been issued and the amount
17 remaining before the statewide annual limit is reached. In addition,
18 the department must provide written notice to any person who has
19 claimed tax credits in excess of the limitation in this subsection.
20 The notice must indicate the amount of tax due and provide that the
21 tax be paid within thirty days from the date of the notice. The
22 department may not assess penalties and interest as provided in
23 chapter 82.32 RCW on the amount due in the initial notice if the
24 amount due is paid by the due date specified in the notice, or any
25 extension thereof.

26 (6) To claim a credit under this section a person must
27 electronically file with the department all returns, forms, and any
28 other information required by the department, in an electronic format
29 as provided or approved by the department. No refunds may be granted
30 for credits under this section.

31 (7) Taxpayers are only eligible for a credit under this section
32 based on sales which are exempt from tax under section 2 of this act.
33 A credit is earned when qualifying purchases are made.

34 (8) A credit earned during one calendar year may be carried over
35 to be credited against taxes incurred in the subsequent calendar
36 year, but may not be carried over a second year.

37 (9)(a) Beginning November 25, 2015, and on the 25th of February,
38 May, August, and November of each year thereafter, the department
39 must notify the state treasurer of the amount of the exemption taken
40 under this section as reported on returns filed with the department

1 during the preceding calendar quarter ending on the last day of
2 December, March, June, and September, respectively.

3 (b) On the last day of March, June, September, and December of
4 each year, the state treasurer, based upon information provided by
5 the department, must transfer a sum equal to the dollar amount of the
6 credit provided under this section from the multimodal transportation
7 account to the general fund.

8 (10) This section expires January 1, 2026.

9 NEW SECTION. **Sec. 5.** A new section is added to chapter 82.16
10 RCW to read as follows:

11 (1) A person who is taxable under this chapter is allowed a
12 credit against the tax imposed in this chapter for the lesser of
13 twenty-five thousand dollars or fifteen percent of the purchase price
14 of a new or qualifying used clean alternative fuel commercial
15 vehicle.

16 (2) A person who is taxable under this chapter is allowed a
17 credit against the tax imposed in this chapter for the lesser of
18 twenty-five thousand dollars or thirty percent of the costs of
19 converting a commercial vehicle to be powered by a clean alternative
20 fuel with a United States environmental protection agency certified
21 conversion.

22 (3) The total credits under this section may not exceed two
23 hundred fifty thousand dollars per person per calendar year.

24 (4) A person may not receive credit under this section for
25 amounts claimed as credits under chapter 82.04 RCW.

26 (5) Credits are available on a first-in-time basis. The
27 department must disallow any credits, or portion thereof, that would
28 cause the total amount of credits claimed under this section, and
29 section 4 of this act, during any calendar year to exceed six million
30 dollars. The department must provide notification on its web site
31 monthly on the amount of credits that have been issued and the amount
32 remaining before the statewide annual limit is reached. In addition,
33 the department must provide written notice to any person who has
34 claimed tax credits in excess of the limitation in this subsection.
35 The notice must indicate the amount of tax due and provide that the
36 tax be paid within thirty days from the date of the notice. The
37 department may not assess penalties and interest as provided in
38 chapter 82.32 RCW on the amount due in the initial notice if the

1 amount due is paid by the due date specified in the notice, or any
2 extension thereof.

3 (6) To claim a credit under this section a person must
4 electronically file with the department all returns, forms, and any
5 other information required by the department, in an electronic format
6 as provided or approved by the department. No refunds may be granted
7 for credits under this section.

8 (7) Taxpayers are only eligible for a credit under this section
9 based on sales which are exempt from tax under section 2 of this act.
10 A credit is earned when qualifying purchases are made.

11 (8) A credit earned during one calendar year may be carried over
12 to be credited against taxes incurred in the subsequent calendar
13 year, but may not be carried over a second year.

14 (9)(a) Beginning November 25, 2015, and on the 25th of February,
15 May, August, and November of each year thereafter, the department
16 must notify the state treasurer of the amount of the exemption taken
17 under this section as reported on returns filed with the department
18 during the preceding calendar quarter ending on the last day of
19 December, March, June, and September, respectively.

20 (b) On the last day of March, June, September, and December of
21 each year, the state treasurer, based upon information provided by
22 the department, must transfer a sum equal to the dollar amount of the
23 credit provided under this section from the multimodal transportation
24 account to the general fund.

25 (10) This section expires January 1, 2026.

26 **Miscellaneous Provisions**

27 NEW SECTION. **Sec. 6.** This act takes effect January 1, 2016.

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