
Transportation Committee

HB 2549

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

Sponsors: Representative Muri.

Brief Summary of Bill

- Expands the retail sales and use tax exemption to apply to vehicles that use at least one method of propulsion that is capable of being reenergized by an external source of electricity and that are capable of traveling at least 20 miles (rather than the current 30 miles) using only battery power.
- Extends the retail sales and use tax exemption for clean alternative fuel vehicles by modifying the timing for early termination of it to occur after 12,500 qualifying vehicles are titled in the state (rather than when 7,500 qualifying vehicles are titled in the state).

Hearing Date: 1/29/18

Staff: Jennifer Harris (786-7143).

Background:

Tax Exemption Qualification.

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 base model Manufacturer's Suggested Retail Price (MSRP) of \$42,500 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. Tax exemption eligibility is capped at \$32,000 per eligible vehicle.

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 Department of Licensing (DOL) is required to maintain a list of the models that may qualify for this exemption and to determine the lowest MSRP for each model for the purpose of establishing whether the model qualifies for the exemption based on its MSRP. The DOL must also determine the cumulative number of qualifying vehicles titled in Washington on or after July 15, 2015, and to provide this information to the Department of Revenue (DOR) by the end of the fifth working day of each month.

Qualification Expiration.

To qualify for this exemption, a vehicle must be purchased or a lease agreement signed by the end of the month following the month in which the DOL determines that 7,500 vehicles eligible for the exemption have been titled in the state since July 15, 2015, and in which the DOL provides notification of this fact to the DOR. The DOR must post notice of the expiration date of the exemption on its website as soon as can practically be done after receiving notification from the DOL. If 7,500 qualifying vehicles have not been titled by June 30, 2019, no additional vehicles will be permitted to qualify after that date. Leased vehicles that qualified for the exemption before its expiration will continue to receive the tax exemption for all lease payments due through the life of the lease.

Lease agreements for vehicles that were eligible for an exemption signed on or after July 15, 2015, and before July 1, 2016, are required to have an adjusted fair market value of \$35,000 or less at the time the lease agreement was signed to maintain the exemption. A complete retail sales and use tax exemption for lease agreements signed prior to July 1, 2015, is in place for those vehicles.

As of December 31, 2017, 6,448 vehicles eligible for the exemption had been titled in the state since July 15, 2015. In 2017, 3,753 vehicles titled in the state were eligible for the exemption. In 2017, on average, approximately 310 vehicles that were eligible for this exemption were titled in the state per month.

Reporting Requirement.

Beginning on the last day of July 2016 and every six months thereafter, the DOR must report to the transportation committees of the Legislature the number of vehicles eligible for the exemption that have been titled in the state and the amount of state retail sales and use taxes exempted.

Tax Preference Performance Statement.

The public policy objective of this exemption is to increase the use of clean alternative fuel and electrically powered vehicles in Washington. The Joint Legislative and Audit Review Committee must periodically evaluate the number of these vehicles titled in the state.

Summary of Bill:

Tax Exemption Qualification.

The retail sales and use tax exemption is extended to apply to vehicles that use at least one method of propulsion that is capable of being reenergized by an external source of electricity and that are capable of traveling at least 20 miles (rather than the current 30 miles) using only battery power.

Qualification Expiration.

To qualify for this exemption, a vehicle must be purchased or the lease agreement signed by the end of the month following the month in which the DOL determines that 12,500, rather than 7,500 vehicles eligible for the exemption have been titled in the state since July 15, 2015. If this higher qualifying vehicle titling threshold is not reached by June 30, 2019, this date is retained as the latest possible termination date.

Tax Preference Performance Statement.

The tax preference performance statement currently in law is restated to apply to the expanded class of qualifying vehicles and the longer term of the retail sales and use tax exemption.

Appropriation: None.

Fiscal Note: Preliminary fiscal note available.

Effective Date: The bill contains an emergency clause and takes effect on May 1, 2018.