

# SENATE BILL REPORT

## SB 6080

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As Reported by Senate Committee On:  
Energy, Environment & Technology, February 1, 2018  
Ways & Means, March 6, 2018

**Title:** An act relating to the electrification of transportation.

**Brief Description:** Concerning the electrification of transportation. [**Revised for 2nd Substitute:** Extending the sales and use tax exemption for certain alternative fuel vehicles.]

**Sponsors:** Senators Palumbo, Carlyle, Mullet, Wellman, Keiser, Billig, Nelson, McCoy, Lias, Van De Wege, Hunt and Kuderer.

**Brief History:**

**Committee Activity:** Energy, Environment & Technology: 1/31/18, 2/01/18 [DPS-WM, DNP, w/oRec].

Ways & Means: 3/06/18 [DP2S, DNP, w/oRec].

**Brief Summary of Second Substitute Bill**

- Extends the retail sales and use tax exemption for clean alternative fuel vehicles so that it expires once 11,000 qualifying vehicles are titled in the state, rather than after 7500 qualifying vehicles are titled in the state.

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### SENATE COMMITTEE ON ENERGY, ENVIRONMENT & TECHNOLOGY

**Majority Report:** That Substitute Senate Bill No. 6080 be substituted therefor, and the substitute bill do pass and be referred to Committee on Ways & Means.

Signed by Senators Carlyle, Chair; Palumbo, Vice Chair; Hobbs, McCoy, Ranker, Sheldon and Wellman.

**Minority Report:** Do not pass.

Signed by Senators Ericksen, Ranking Member; Brown.

**Minority Report:** That it be referred without recommendation.

Signed by Senator Hawkins.

**Staff:** Angela Kleis (786-7469)

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*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.*

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## SENATE COMMITTEE ON WAYS & MEANS

**Majority Report:** That Second Substitute Senate Bill No. 6080 be substituted therefor, and the second substitute bill do pass.

Signed by Senators Rolfes, Chair; Frockt, Vice Chair; Billig, Carlyle, Conway, Darneille, Hunt, Keiser, Mullet, Palumbo, Pedersen, Ranker and Van De Wege.

**Minority Report:** Do not pass.

Signed by Senators Honeyford, Assistant Ranking Member; Bailey, Becker, Hasegawa, Rivers, Schoesler and Warnick.

**Minority Report:** That it be referred without recommendation.

Signed by Senators Braun, Ranking Member; Brown, Fain and Wagoner.

**Staff:** Alia Kennedy (786-7405)

**Background:** The Legislature exempted certain alternative fuel vehicles, including plug-in EVs, from sales and use taxes in 2005. The exemption was extended in 2011 and 2015, and modified in 2016. Currently, the sales tax exemption applies to up to \$32,000 of a vehicle's selling price and expires when the Department of Licensing (DOL) titles 7500 qualifying vehicles. DOL anticipates reaching this cap by March or April of 2018.

In 2015, the Governor established a goal to increase the number of plug-in EVs in Washington State from approximately 8000 in 2013 to 50,000 by 2020. According to the Department of Transportation, there were approximately 25,000 plug-in EVs registered in Washington as of June 2017.

Under the federal Clean Air Act, states have the option to implement either federal motor vehicle emission standards or California motor vehicle emissions standards for passenger cars, light-duty trucks, and medium-duty vehicles. The motor vehicle emissions standards established by California contain both low-emission and ZEV requirements. In 2005, the Legislature authorized the adoption of California motor vehicle emission standards with the following restrictions:

- the Department of Ecology (Ecology) was prohibited from adopting California vehicle emissions standards for medium-duty trucks and California's ZEV regulations; and
- Ecology must convene an advisory group of industry and consumer group representatives during rule development and the advisory group must review and comment on proposed rules or changes to rules prior to rule adoption.

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

**Summary of Bill (Second Substitute):** The sales and use tax exemption for alternative fuel vehicles will expire once the cumulative number of qualifying vehicles reaches 11,000, rather than the sooner of 7500 vehicles or June 30, 2019 under current law.

The Multimodal Transportation Account backfill to general fund state will discontinue when the cumulative number of qualifying vehicles titled in the state reaches 7500. Once the 7500

vehicle cap and until 10,000 qualifying vehicles is reached, the costs of the electric vehicle exemption will be borne by general fund state. After 10,000 and until the 11,000 qualifying vehicle threshold is reached, the costs of the electric vehicle exemption will be borne by the Air Pollution Control Account.

The requirement that if 7500 qualifying vehicles have not been titled by June 30, 2019, then no additional vehicles will be permitted to qualify after that date is removed.

**EFFECT OF CHANGES MADE BY WAYS & MEANS COMMITTEE (Second Substitute):**

- Specifies that the sales and use tax exemption for alternative fuel vehicles will expire once the cumulative number of qualifying vehicles reaches 11,000, rather than the sooner of 7500 vehicles or June 30, 2019 under current law.
- Caps the amount of Multimodal Transportation Account backfill to GF-S at 7500 qualifying vehicles.
- Provides that once the cumulative number of qualifying vehicles reaches 7500 and until 10,000 qualifying vehicles is reached, the costs of the electric vehicle exemption will be borne by general fund state.
- Provides that once the cumulative number of qualifying vehicles reaches 10,000 and until the 11,000 qualifying vehicle threshold is reached, the costs of the electric vehicle exemption will be borne by the Air Pollution Control Account.
- Adds an emergency clause.

**EFFECT OF CHANGES MADE BY ENERGY, ENVIRONMENT & TECHNOLOGY COMMITTEE (First Substitute):**

- Adds an effective date for when DOL must begin providing data to JLARC for the tax preference performance statement.
- Adds an effective date for when DOR must begin reviewing claims claimed.
- Provides a cap on the Multimodal Account backfill amount for the B&O tax and PUT commercial vehicle exemptions. The amount will be limited to the exemptions provided through December 31, 2021, or an aggregate dollar limit of \$33 million. The exemptions after this date or over that dollar threshold will come from the Clean Energy Account.
- Extends the year leased vehicles can earn credits to 2050.
- Extends the year new and leased vehicles can earn credits until 2051.
- Adds and amends a PUT credit section which provides a credit for the same activities eligible for the B&O tax credit.
- Provides definitions for heavy duty truck, light duty truck, and used.
- Requires a vehicle retired under the Charge Ahead Washington Program to be delivered to a licensed vehicle wrecker.
- Removes the new eligibility requirement that an EV must predominantly travel within the state of Washington over their usable lifetime.

**Appropriation:** None.

**Fiscal Note:** Available.

**Creates Committee/Commission/Task Force that includes Legislative members:** No.

**Effective Date:** The bill contains an emergency clause and takes effect immediately.

**Staff Summary of Public Testimony on Proposed Substitute (Energy, Environment & Technology):** *The committee recommended a different version of the bill than what was heard.* PRO: Changes to the tax exemptions will improve air quality and reduce environmental impacts. Removing the incentives could negatively affect revenue, which is exactly what happened in Georgia. We appreciate the comprehensive approach of the bill. The program will expand the availability of EVs to lower income household. We also appreciate the adjustments to the building code. It is more cost effective to include the infrastructure during the construction process, rather than trying to retrofit a building.

CON: We support incentivizing EV use and technologies; however, we are concerned about the practicability section. Some of our folks are in the testing phase and are unsure how or if the definition in the bill will be adequate. The provisions in the bill do not provide enough flexibility.

OTHER: We support the bill but have a concern regarding the program. We want to make sure that a traded in vehicle goes to a vehicle recycler that will make sure those vehicles are properly dismantled. We have language to provide to staff. We want to make sure that it is understood that commercial vehicles use different fuels than passenger vehicles.

**Persons Testifying (Energy, Environment & Technology):** PRO: Senator Guy Palumbo, Prime Sponsor; Joanna Grist, Western Washington Clean Cities Coalition, Puget Sound Clean Air Agency, Forth; Michael Mann, Nissan of North America; Vlad Gutman-Britten, Climate Solutions; Michael Breish, NW Energy Coalition; Meagan Murphy, citizen.

CON: Michael Shaw, Washington State Transit Association.

OTHER: Bill Fazekas, Black Lake Auto Wrecking; Gary Smith, Auto Recyclers of Washington; James King, Independent Business Association; Bruce Agnew, ACES Northwest Network/Cascadia; Mike Ennis, Association of Washington Business.

**Persons Signed In To Testify But Not Testifying (Energy, Environment & Technology):**  
No one.

**Staff Summary of Public Testimony on Proposed Second Substitute (Ways & Means):** *The committee recommended a different version of the bill than what was heard.* PRO: Alternative fuel exemptions are good public policy because they invest in cleaner, greener alternative fuel vehicles. This exemption is a key component to achieving state goals and will increase the number of mid-market customers, which benefits the climate as well as the broader community. The electrification of transportation helps improve air quality around highways and main through ways. We suggest adding an emergency clause because we are concerned that the current cap will be reached before the effective date of the bill.

**Persons Testifying (Ways & Means):** PRO: Senator Guy Palumbo, Prime Sponsor; Mel Sorensen, Pacific Propane Gas Association; Bryce Yadon, Futurewise; Michael Transue, Association of Global Automakers; Becky Bogard, General Motors; Michael Mann, Nissan of North America; Joanna Grist, Puget Sound Clean Air Agency; Vlad Gutman-Britten, Climate Solutions; Mike Ennis, Association of Washington Business.

**Persons Signed In To Testify But Not Testifying (Ways & Means):** No one.