

# HOUSE BILL REPORT

## SHB 2486

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### As Amended by the Senate

**Title:** An act relating to extending the electric marine battery incentive.

**Brief Description:** Extending the electric marine battery incentive.

**Sponsors:** House Committee on Finance (originally sponsored by Representatives Lekanoff, Fitzgibbon, Leavitt, Doglio, Ramel and Hudgins; by request of Governor Inslee).

#### Brief History:

##### Committee Activity:

Finance: 2/6/20, 2/10/20 [DPS].

##### Floor Activity:

Passed House: 3/10/20, 93-4.

Senate Amended.

Passed Senate: 3/12/20, 47-2.

#### Brief Summary of Substitute Bill

- Extends the expiration date for the vessel electric propulsion system retail sales and use tax exemption to June 30, 2035.

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### HOUSE COMMITTEE ON FINANCE

**Majority Report:** The substitute bill be substituted therefor and the substitute bill do pass. Signed by 12 members: Representatives Tarleton, Chair; Walen, Vice Chair; Orcutt, Ranking Minority Member; Young, Assistant Ranking Minority Member; Chapman, Frame, Macri, Orwall, Springer, Stokesbary, Vick and Wylie.

**Staff:** Tracey O'Brien (786-7152).

#### Background:

##### Retail Sales and Use Tax.

Retail sales taxes are imposed on retail sales of most articles of tangible personal property, digital products, and some services. A retail sale is a sale to the final consumer or end user of the property, digital product, or service. If retail sales taxes were not collected when the user

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acquired the property, digital products, or services, then use tax applies to the value of property, digital product, or service when used in this state. The state, all counties, and all cities levy retail sales and use taxes. The state sales and use tax rate is 6.5 percent; local sales and use tax rates vary from 0.5 percent to 3.9 percent, depending on the location.

Vessel Electric Propulsion System Retail Sales and Use Tax Exemption.

A retail sales and use tax exemption is established through August 1, 2029, for new powertrains for vessels that are powered by battery-powered electric marine propulsion systems with continuous power greater than 15 kilowatts and for new vessels equipped with a battery-powered electric marine propulsion system with continuous power greater than 15 kilowatts.

A "battery-powered electric marine propulsion system" is a fully electric outboard or inboard motor used by vessels, the sole source of propulsive power of which is the energy stored in the battery packs, including required accessories.

Sellers can make tax exempt sales only if the buyer provides the seller with an exemption certification as prescribed by the Department of Revenue.

At the end of each quarter, the State Treasurer is required to transfer from the Multimodal Transportation Account to the State General Fund the amount that would otherwise have been deposited in the State General Fund if not for this tax exemption.

The tax exemption for vessel electric propulsion systems expires June 30, 2025.

**Summary of Substitute Bill:**

The retail sales and use tax exemption for vessel electric propulsion systems is extended to July 1, 2035.

**EFFECT OF SENATE AMENDMENT(S):**

The Senate amendment:

- clarifies the retail sales and use tax exemptions for batteries and battery packs for electric and hybrid electric vessels, including installation, repair, or alteration of such batteries;
- clarifies the retail sales and use tax exemptions for shoreside batteries and infrastructure to charge electric and hybrid electric vessels, including installation, repair, or alteration of such batteries;
- restores the definition of battery-powered electric marine propulsion system as provided in statute;
- adds a definition for hybrid electric marine propulsion system; and
- changes the exemption expiration date from July 1, 2035, to July 1, 2030.

**Appropriation:** None.

**Fiscal Note:** Available.

**Effective Date:** The bill takes effect on January 1, 2020.

**Staff Summary of Public Testimony:**

(In support) A primary part of Washington's strategy for the blue economy is to create continued capital investments and job creation in the maritime and clean tech sectors. Right now, there is more than \$1 billion dollars of proposed capital investment in energy storage system manufacturing and private investment technology commercialization from established maritime vendors and startups. There is an increase in research and development related to this sector. House Bill 2486 provides predictability in this growing industry by extending the preference another 10 years. The state is seeking to attract a marine battery manufacturing facility and the extension of the preference would increase Washington's competitiveness in this global market to help provide well-paying, high-tech jobs in the developing blue economy. In addition, this legislation will assist our existing innovative companies in developing energy storage systems for the marine, transportation, rail, and defense industries.

This legislation will also encourage more vessel owners to purchase battery-powered marine propulsion systems. As these technologies become increasingly cost-effective and there are advances in electrification, this legislation will also have important other benefits including reducing greenhouse gas emissions.

Skagit County is preparing to build the first electric ferry in the state. It will be a 28-car vessel. There will only be charging stations required on the Anacortes side of the run, so this will significantly help with reducing capital costs. An amendment to this bill could add shoreside charging batteries and assist Skagit County, and any other county adding electric ferries.

(Opposed) None.

**Persons Testifying:** Brian Young, Department of Seattle Commerce Clean Tech Sector; Sean Connell, Lavle; and Jeanne Cushman, Skagit County.

**Persons Signed In To Testify But Not Testifying:** None.