

SENATE BILL REPORT

SB 5336

As of February 16, 2019

Title: An act relating to advancing electric transportation.

Brief Description: Advancing electric transportation.

Sponsors: Senators Palumbo, Carlyle, Nguyen, Saldaña, Hasegawa, Dhingra, Frockt and Kuderer; by request of Office of the Governor.

Brief History:

Committee Activity: Environment, Energy & Technology: 2/12/19.

Brief Summary of Bill

- Exempts up to \$1,000 of sales and use tax on certain new or used battery electric vehicle purchases or leases under \$45,000.
- Provides the exemption expires once 10 percent of all passenger cars, light duty trucks, and medium duty passenger vehicles titled in the state are battery-electric vehicles.
- Requires the Department of Licensing to maintain and publish a list of qualifying vehicles.
- Requires all electric vehicle fee proceeds to be deposited into the new Electric Vehicle (EV) account.
- Requires the Department of Ecology (DOE) to adopt California zero emission vehicle standards.
- Expands the type of vehicles required to meet California standards to include medium duty vehicles.
- Authorizes a regulated electric utility to submit an electrification of transportation plan deploying EV equipment or provides other programs to support the electrification of transportation.
- Authorizes the Utilities and Transportation Commission to allow an incentive rate of return on investment for EV supply equipment deployed consistent with a plan submitted by a regulated electric utility.

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.

SENATE COMMITTEE ON ENVIRONMENT, ENERGY & TECHNOLOGY

Staff: Angela Kleis (786-7469)

Background: Electrification of Transportation Goals. In 2015, the Governor set a goal of 50,000 electric vehicles on Washington's roads by 2020. According to the Department of Licensing (DOL), there are approximately 42,000 plug-in EVs registered in Washington as of December 2018.

Alternative Fuel Tax Incentive. The Legislature exempted certain alternative fuel vehicles, including EVs, from sales and use taxes beginning in 2005. The exemption expired last year when the number of vehicles titled in the state reached the cap of 7,500 qualifying vehicles.

Electric Vehicle Registration Fee. EVs meeting certain criteria must pay an annual registration fee of \$100 in addition to any other fees and taxes required by law. Proceeds from the fee must be used for highway purposes and must be deposited in the Motor Vehicle fund. If the amount of proceeds from the fee collected exceeds \$1 million, the excess amount over \$1 million must be deposited as follows:

- 70 percent to the Motor Vehicle fund;
- 15 percent to the Transportation Improvement account; and
- 15 percent to the Rural Arterial Trust account.

In addition to this fee, applicants are required to pay a \$50 fee. The first \$1 million raised by the fee is deposited into the Multimodal Transportation Account and the remaining funds are deposited into the Motor Vehicle Fund.

Motor Vehicle Emission Standards. 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 passenger vehicles. The motor vehicle emissions standards established by California contain both low-emission and zero emission requirements.

In 2005, the Legislature adopted the California emission standards for passenger cars, light duty trucks, and medium duty passenger vehicles in effect on January 1, 2005, except for the zero emission vehicle (ZEV) standards. Under current law, the DOE has rulemaking authority to implement the standards and to amend the rules to maintain consistency with the California standards and federal laws. DOE must convene an advisory group to review and comment on any proposed rules or changes to rules prior to rule adoption. The order for final adoption of a rule must include the Governor's signature.

Utilities and Transportation Commission. The Utilities and Transportation Commission (UTC) is a three-member commission appointed by the Governor and confirmed by the Senate. The UTC regulates the rates, services, facilities, and practices of utilities and transportation services.

Summary of Bill: Electric Vehicle Tax Incentive and Preference. The sale or lease of a new or used passenger car, light duty truck, and medium duty passenger vehicle is exempt from retail sales and use taxes for up to \$1,000 if the vehicle:

- is exclusively powered by electric battery; and
- has a suggested retail price of \$45,000 or less.

DOL must:

- maintain and publish a list of all vehicle models qualifying for the sales and use tax exemption;
- determine, on a monthly basis, the cumulative number of vehicles qualifying for the exemption and provide notice to the Department of Revenue (DOR); and
- notify DOR when the total number of vehicles qualifying for the exemption titled in the state equals or exceeds 10 percent of all passenger car, light duty trucks, and medium duty passenger vehicles titled in the state.

DOR must report to the transportation committees of the Legislature beginning July 2019 and every six months thereafter until the expiration of the exemption:

- the total number of vehicles qualified for the exemption as reported by DOL; and
- the total dollar amount of all state retail sales and use taxes exempted on or after the qualification period start date.

The retail sales and use tax exemption expires four years after DOL determines the total number of vehicles qualifying for the exemption titled in the state equals or exceeds 10 percent of all passenger car, light duty trucks, and medium duty passenger vehicles.

The Electric Vehicle account is created in the custody of the state treasurer. Proceeds from the EV annual registration fee must be deposited into the account. Funds in the account may be used for EV purchase and lease incentives; EV support equipment incentives; EV awareness and education programs; and state road operations, maintenance, and preservation. The current distributions for funds collected in excess of \$1 million are removed.

A new tax preference is created for qualifying vehicles. If the review finds the cumulative number of qualifying vehicles equals or exceeds 2 percent of all passenger cars, light duty trucks, and medium duty passenger vehicles titled in the state, then the Legislature intends to extend the expiration date of the tax preference.

Zero Emission Vehicle. DOE is required to adopt California ZEV program regulations. Additionally, the requirements regarding the advisory group, review of rules prior to adoption, and the order for final adoption are removed. The types of vehicles required to meet California standards is expanded to include medium duty vehicles.

Electric Vehicle Infrastructure. The Legislature authorizes any company engaged in selling or furnishing utility services to assist customers in acquiring energy infrastructure, including electric vehicle supply equipment. It is the intent of the Legislature to provide clear authority for utilities to engage in and promote the build out of electric vehicle infrastructure.

Any city or town engaged in the generation, sale, or distribution of energy and has more than 400,000 customers may:

- assist its customers in financing for acquiring and installing equipment for the electrification of transportation; and

- offer programs or investments in the electrification of transportation for its customers to benefit ratepayers.

A regulated electric utility may submit to the UTC an electrification of transportation plan (plan) deploying EV equipment or provides other programs, services, or incentives to support the electrification of transportation, provided the plan does not increase costs to customers in excess of one-quarter of one percent above the benefits of electric transportation to all customers. The UTC must establish by rule the requirements for preparation and submission of a plan.

The UTC may allow an incentive rate of return on investment for EV supply equipment deployed consistent with a plan submitted by a regulated electric utility. The restriction that the incentive rate on investment only applies to projects located where EVs are likely to be parked for intervals longer than two hours is removed. The incentive rate of return expires December 31, 2030.

Appropriation: None.

Fiscal Note: Available.

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

Effective Date: The bill contains several effective dates. Please refer to the bill.

Staff Summary of Public Testimony: PRO: This is a comprehensive approach to the electrification of transportation by including an EV sales tax incentive structured as a progressive standard, adopting clean car programs which expand consumer options, and facilitating participation by utilities as partners. This bill helps improve air quality. Washington residents should have access to the full range of ZEV options that are available in other ZEV states.

CON: The diversion of funds will significantly reduce cash funds. We support the BEV exemption but think the exemption should be fuel agnostic so that it can be applied to alternative fuel and commercial vehicles. We oppose the ZEV mandate. This is a manufacturer mandate to make more ZEVs, which is not fair and unnecessarily drives up costs. This bill does not support air quality.

OTHER: We support the sales tax incentives. We prefer incentives rather than mandates.

Persons Testifying: PRO: Craig Kenworthy, Puget Sound Clean Air Agency; Gordon White, Washington Department of Ecology; Jasmine Vasavada, Legislative Director, Department of Commerce; Marian Dacca, Tacoma Public Utilities; Jeff Bissonnette, Union of Concerned Scientists; Laura Wilkeson, Puget Sound Energy; Leah Missik, Climate Solutions.

CON: Mel Sorensen, Pacific Propane Gas Association; Jane Wall, Washington State Association of Counties; Ashley Probart, Transportation Improvement Board.

OTHER: Mike Ennis, Association of Washington Business; Michael Transue, Association of Global Automakers; Holly Chisa, ChargePoint.

Persons Signed In To Testify But Not Testifying: No one.