

HOUSE BILL REPORT

2SSB 5000

As Passed House:

April 10, 2021

Title: An act relating to hydrogen fuel cell electric vehicles.

Brief Description: Concerning hydrogen fuel cell electric vehicles.

Sponsors: Senate Committee on Ways & Means (originally sponsored by Senators Hawkins, Lovelett, Billig, Braun, Carlyle, Conway, Das, Ericksen, Fortunato, Gildon, Hasegawa, Holy, Hunt, King, Kuderer, Mullet, Muzzall, Nguyen, Padden, Pedersen, Rivers, Robinson, Salomon, Sheldon, Van De Wege, Wagoner, Warnick, Wellman, Wilson, C. and Wilson, J.).

Brief History:

Committee Activity:

Finance: 3/15/21, 3/25/21 [DP];

Transportation: 3/29/21, 3/31/21 [DP].

Floor Activity:

Passed House: 4/10/21, 93-4.

Brief Summary of Second Substitute Bill

- Provides partial temporary sales and use tax exemptions for sales of new and used fuel-cell electric vehicles.

HOUSE COMMITTEE ON FINANCE

Majority Report: Do pass. Signed by 15 members: Representatives Frame, Chair; Berg, Vice Chair; Orcutt, Ranking Minority Member; Dufault, Assistant Ranking Minority Member; Chase, Chopp, Harris-Talley, Morgan, Orwall, Ramel, Springer, Thai, Vick, Wylie and Young.

Minority Report: Without recommendation. Signed by 2 members: Representatives

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not part of the legislation nor does it constitute a statement of legislative intent.

Walen, Vice Chair; Stokesbary.

Staff: Rachelle Harris (786-7137).

HOUSE COMMITTEE ON TRANSPORTATION

Majority Report: Do pass. Signed by 27 members: Representatives Fey, Chair; Wylie, 1st Vice Chair; Bronoske, 2nd Vice Chair; Ramos, 2nd Vice Chair; Barkis, Ranking Minority Member; Eslick, Assistant Ranking Minority Member; Robertson, Assistant Ranking Minority Member; Volz, Assistant Ranking Minority Member; Berry, Chapman, Dent, Duerr, Entenman, Goehner, Griffey, Hackney, Klicker, Lovick, Orcutt, Paul, Ramel, Riccelli, Slatter, Sutherland, Taylor, Valdez and Wicks.

Minority Report: Do not pass. Signed by 1 member: Representative McCaslin.

Minority Report: Without recommendation. Signed by 1 member: Representative Walsh.

Staff: Beth Redfield (786-7140).

Background:

Alternative Fuel Vehicle Sales and Use Tax Exemption.

A partial retail sales and use tax exemption for alternative fuel vehicles was in place between January 2009 and the end of May 2018, and was reinstated in August 2019. The current version is a partial retail sales and use tax exemption for passenger cars, light duty trucks, and medium duty passenger vehicles that are either exclusively powered by a clean alternative fuel or capable of traveling at least 30 miles using only battery power.

To qualify, new vehicles must have a sales price or fair market value of \$45,000 or less, and used vehicles must have a sales price or fair market value of \$30,000 or less. Both purchased and leased vehicles are eligible.

For new vehicles, the amount of the sale that is exempt decreases over time:

- Between August 1, 2019, and July 31, 2021, up to \$25,000 is exempt.
- Between August 1, 2021, and July 31, 2023, up to \$20,000 is exempt.
- Between August 1, 2023, and July 31, 2025, up to \$15,000 is exempt.

For used vehicles, the maximum amount eligible for the tax exemption is \$16,000 from August 1, 2019, to July 31, 2025.

The qualification period for this tax exemption ends July 31, 2025. Leases for vehicles that qualify for this tax exemption may maintain eligibility through July 31, 2028.

Fuel Cell.

Fuel cell electric vehicles are powered by hydrogen that is converted to electricity via a fuel cell.

Tax Preference Performance Statement.

State law provides for a range of tax preferences that confer reduced tax liability upon a designated class of taxpayer. Tax preferences include tax exclusions, deductions, exemptions, preferential tax rates, deferrals, and credits. Currently, Washington has over 650 tax preferences, including a variety of sales and use tax exemptions. Legislation that establishes or expands a tax preference must include a Tax Preference Performance Statement (TPPS) that identifies the public policy objective of the preference, as well as specific metrics that the Joint Legislative Audit and Review Committee (JLARC) can use to evaluate the effectiveness of the preference. All new tax preferences automatically expire after 10 years unless an alternative expiration date is provided.

Summary of Bill:

Fuel Cell Electric Vehicle Retail Sales and Use Tax Exemption.

Beginning July 1, 2022, sales and leases of new electric vehicles that are powered by a fuel cell are exempt from 50 percent of the sales and use tax. The exemption expires after the last day of the calendar month following the month the Department of Revenue (DOR) determines that the total number of exemptions for new vehicles has reached 650.

Beginning July 1, 2022, sales and leases of used electric vehicles that are powered by a fuel cell are exempt from 100 percent of the sales and use tax. The maximum value eligible for this exemption is the lesser of \$16,000 or the fair market value of the vehicle.

The exemptions may not be claimed if the buyer or lessee also claims the existing alternative fuel vehicle sales and use tax exemption.

The DOR must determine the cumulative number of vehicles that have claimed the exemption by the end of the fifth working day each month. The Department of Licensing (DOL) must collect and provide information to help the DOR make these determinations. The DOR must provide notification on its website every month on the amount of exemptions that have been applied for, the amount issued, and the amount remaining before any limits are reached.

For qualifying vehicles sold by a person licensed to do business in Washington, sellers must keep various records for the DOR to verify eligibility and must report information to the DOR. For vehicles purchased from a seller that is not licensed to do business in the state of Washington the buyer must keep these records and report this information.

The DOL must maintain and publish a list of all vehicle models qualifying for the tax exemptions, and is authorized to issue final rulings on vehicle model qualification for these criteria. The DOR is responsible for determining whether the vehicle meets the qualifying

criteria.

On the last day of July, October, January, and April of each year, the State Treasurer must transfer from the Electric Vehicle Account to the General Fund a sum equal to the dollar amount that would otherwise have been deposited into the General Fund during the prior fiscal quarter without the exemptions.

By August 31, 2023, and annually thereafter, the DOR must report to the Legislature on the cumulative number of fuel cell electric vehicles that qualified for the exemptions by month of purchase or lease start and vehicle make and model, the dollar amount of all state retail sales and use taxes exempted, and estimates of the future costs of leased vehicles that qualified for the exemptions.

The exemptions expire June 30, 2029.

A TPPS identifies the public policy objective to increase the use of hydrogen fuel cell electric vehicles. The JLARC must evaluate the effectiveness of this tax incentive on the number of hydrogen fuel cell vehicles titled in the state by November 1, 2028.

Appropriation: None.

Fiscal Note: Available.

Effective Date: The bill takes effect July 1, 2022.

Staff Summary of Public Testimony (Finance):

(In support) Washington is well positioned to be a leader in hydrogen powered vehicles. A hydrogen production plant is in the works and it will be producing fuel in this state by the end of the year. The use of hydrogen fuel cells allows us to capture energy and store it in the form of hydrogen gas, so we can take advantage of multiple natural energy resources in an efficient way. Having a mix of types of electric vehicles is critical to accomplishing environmental goals. Fuel cells are a great solution because they do not require a consumer to update personal infrastructure to be able to use the vehicle.

(Opposed) None.

Staff Summary of Public Testimony (Transportation):

(In support) It is important for our state to be technology neutral when it comes to providing incentives to zero emissions vehicles. Fuel-cell vehicles show tremendous promise: they have a very long range, the refueling time is a matter of minutes, and people across the income spectrum can use these vehicles to reduce their transportation emissions. The fuel-cell vehicles do not require electric infrastructure at your house, which is particularly good

for renters. California is the only state currently advancing this technology, and they have a lot of used vehicles that they can sell. The bill would also apply to used vehicles, which are much less expensive. Hydrogen fuel-cell vehicles do not currently qualify under the price cap for existing sales tax incentives for alternative fuel vehicles. There are three legs of the hydrogen fuel-cell electric-vehicle stool: production of electrolytic hydrogen, fueling infrastructure, and the end-use market. This bill addresses the third leg of the stool, to start getting the vehicles into the market. To get to the state's decarbonization and clean air goals, the state will need a mix of hydrogen electric, battery-electric and plug-in electric hybrid vehicles. Hydrogen fuel-cell electric vehicles can be refueled in 3 to 4 minutes, go 400 miles, and the only emission is water vapor. Transit buses powered by fuel cells have been operating safely in public service for over 20 years and are now reaching commercial maturity. Hydrogen production solves many problems for hydropower production. In spring when there is a lot of water flowing downriver, market prices are depressed, yet spilling too much water will harm fish. Hydrogen fuel electrolyzers will allow more productive use of excess electricity generation and provide better grid support.

(Opposed) None.

Persons Testifying (Finance): Senator Hawkins, prime sponsor; Gary Ivory, Douglas County Public Utility District; Stani Baker, Toyota Motor North America; and Dave Warren, Renewable Hydrogen Alliance and Western States Hydrogen Alliance.

Persons Testifying (Transportation): Senator Hawkins, prime sponsor; Dave Warren, Renewable Hydrogen Alliance and Western States Hydrogen Alliance; Stani Baker, Toyota Motor North America; Tim Sasseen; and Gary Ivory, Douglas County Public Utility District.

Persons Signed In To Testify But Not Testifying (Finance): None.

Persons Signed In To Testify But Not Testifying (Transportation): None.