

SENATE BILL REPORT

SHB 1330

As of March 22, 2021

Title: An act relating to providing a retail sales and use tax exemption for the purchase of electric bicycles and related cycling equipment.

Brief Description: Providing a retail sales and use tax exemption for the purchase of electric bicycles and related cycling equipment.

Sponsors: House Committee on Finance (originally sponsored by Representatives Shewmake, Ramel, Berry, Fitzgibbon, Duerr, Lovick, Rule, Lekanoff, Callan, Pollet, Macri and Slatter).

Brief History: Passed House: 3/9/21, 57-39.

Committee Activity: Ways & Means: 3/23/21.

Brief Summary of Bill

- Provides a sales and use tax exemption for purchases of new electric bicycles and related cycling equipment, and caps the statewide value of exempt sales at \$500,000.

SENATE COMMITTEE ON WAYS & MEANS

Staff: Alia Kennedy (786-7405)

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 acquired the property, digital products, or services, then use tax applies to the value of the 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.

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.

Electric Bicycles. Electric bicycles are two or three-wheeled cycles with a saddle, fully operative pedals for human propulsion, and an electric motor. The electric motor must have a power output of no more than 750 watts. There are three classes of electric bicycles in state law:

- "Class 1 electric-assisted bicycle" means an electric-assisted bicycle in which the motor provides assistance only when the rider is pedaling and ceases to provide assistance when the bicycle reaches a speed of 20 miles per hour;
- "Class 2 electric-assisted bicycle" means an electric-assisted bicycle in which the motor may be used exclusively to propel the bicycle and is not capable of providing assistance when the bicycle reaches a speed of 20 miles per hour; and
- "Class 3 electric-assisted bicycle" means an electric-assisted bicycle in which the motor provides assistance only when the rider is pedaling and ceases to provide assistance when the bicycle reaches a speed of twenty-eight miles per hour and is equipped with a speedometer.

There are various restrictions on the operation location of electric bicycles according to class.

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. 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 that identifies the public policy objective of the preference, as well as specific metrics the Joint Legislative Audit and Review Committee (JLARC) can use to evaluate the effectiveness of the preference. All new tax preferences automatically expire after ten years unless an alternative expiration date is provided.

Summary of Bill: Sales of new electric bicycles, and up to \$200 in related cycling equipment, are exempt from the sales and use tax.

The exemption expires on the earlier of:

- May 1, 2027; or
- the date that \$500,000 in total retail sales tax exemptions for electric bicycles and related cycling equipment have been granted.

Related cycling equipment includes accessories commonly associated with bicycle ownership, such as helmets, bicycle locks, fenders, and lights, when purchased as part of the same transaction as an electric bicycle.

The Department of Revenue (DOR) must post quarterly balance reports on their website that include an estimated expiration date for the exemption. If the remaining balance of the exemptions available is less than \$10,000, DOR must publish a notification on its website. DOR must also provide written notice of the expiration of the exemption to various parties.

A tax preference performance statement is provided identifying the tax preference as one intended to provide direct tax relief and to encourage citizens to own and use electric bicycles. JLARC is directed to review the number of electric bicycles purchased in Washington. If the amount of electric bicycle purchases increases by 25 percent compared to the number of purchases made in calendar year 2020, the Legislature intends to extend the expiration date of the preference.

Appropriation: None.

Fiscal Note: Available.

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

Effective Date: Ninety days after adjournment of session in which bill is passed.