
SECOND SUBSTITUTE SENATE BILL 5336

State of Washington

66th Legislature

2019 Regular Session

By Senate Transportation (originally sponsored by Senators Palumbo, Carlyle, Nguyen, Saldaña, Hasegawa, Dhingra, Frockt, and Kuderer; by request of Office of the Governor)

1 AN ACT Relating to advancing electric transportation; amending
2 RCW 82.04.4496, 82.16.0496, and 80.28.360; adding a new section to
3 chapter 82.08 RCW; adding a new section to chapter 82.12 RCW; adding
4 a new section to chapter 35.92 RCW; adding a new section to chapter
5 54.16 RCW; adding a new section to chapter 80.28 RCW; creating new
6 sections; providing an effective date; providing contingent
7 expiration dates; and declaring an emergency.

8 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

9 **PART I**

10 **ELECTRIC AND ALTERNATIVE FUEL PASSENGER**

11 **VEHICLE TAX INCENTIVES**

12 NEW SECTION. **Sec. 101.** (1) This section is the tax preference
13 performance statement for the tax preferences contained in sections
14 102 and 103, chapter . . ., Laws of 2019 (sections 102 and 103 of
15 this act). This performance statement is only intended to be used for
16 subsequent evaluation of the tax preference. It is not intended to
17 create a private right of action by any party or to be used to
18 determine eligibility for preferential tax treatment.

1 (2) The legislature categorizes these tax preferences as ones
2 intended to provide tax relief for certain businesses or individuals,
3 as indicated in RCW 82.32.808(2)(e).

4 (3) It is the legislature's specific public policy objective to
5 make electric vehicles more accessible and affordable to everyone.

6 (4) If the review finds that the cumulative number of qualifying
7 vehicles titled in the state equals or exceeds two percent of all
8 passenger cars, light duty trucks, and medium duty passenger vehicles
9 titled in the state, then the legislature intends to extend the
10 expiration date of these tax preferences.

11 (5) In order to obtain the data necessary to perform the review
12 in subsection (4) of this section, the joint legislative audit and
13 review committee may refer to any data collected by the state.

14 NEW SECTION. **Sec. 102.** A new section is added to chapter 82.08
15 RCW to read as follows:

16 (1) Beginning with sales made or lease agreements signed on or
17 after the qualification period start date:

18 (a) The tax levied by RCW 82.08.020, and any associated local
19 sales taxes, do not apply as provided in (b) of this subsection to
20 sales or leases of new or used passenger cars, light duty trucks, and
21 medium duty passenger vehicles:

22 (i) That are exclusively powered by an electric battery; and

23 (ii)(A) That have at the time of sale of a new vehicle or at the
24 inception of the lease of a new vehicle, a lowest manufacturer's
25 suggested retail price of forty-five thousand dollars or less, as
26 determined by the department of licensing, for the base model; or

27 (B) When the sale or lease is of a used vehicle, if the vehicle
28 model qualified for an exemption under this section and section 103
29 of this act when the vehicle was new and is included on the list
30 maintained by the department of licensing under subsection (3) of
31 this section.

32 (b)(i) The exemption in this section is applicable for up to one
33 thousand dollars of the state and local sales tax otherwise due on:

34 (A) The sale of the new or used vehicle; or

35 (B) The lease payments made by the lessee under the lease,
36 including any extension of the lease. If the lessee purchases or re-
37 leases the leased vehicle before the qualification period end date
38 and has not used the full one thousand dollar exemption amount, the
39 unused portion of the exemption amount may be applied to the state

1 and local sales tax due on the lessee's purchase or re-lease of the
2 leased vehicle.

3 (ii) The exemption under this section applies to the state and
4 local sales tax otherwise due on the sale or lease of a qualifying
5 vehicle in the same proportion that the taxing authority's sales tax
6 rate or rates have to the combined state and local sales tax rate on
7 the sale or lease of the qualifying vehicle.

8 (iii) For purposes of reporting exemptions on a seller's tax
9 returns, the department may require sellers to convert exempted tax
10 amounts into an equivalent selling price exemption and report such
11 amounts as a deduction on the seller's excise tax return.

12 (2) The seller must keep records necessary for the department to
13 verify eligibility under this section.

14 (3) The department of licensing must maintain and publish a list
15 of all vehicle models qualifying for the sales tax exemption under
16 this section and the use tax exemption under section 103 of this act
17 beginning at least fifteen days before the qualification period start
18 date until the expiration date of this section. The department of
19 licensing has sole authority over the list required under this
20 subsection. Neither the department nor any seller may grant an
21 exemption under this section or section 103 of this act with respect
22 to any vehicle that is not on the list required under this
23 subsection.

24 (4) Until the qualification period end date, on the last working
25 day of January, April, July, and October of each year, beginning
26 October 2019, the state treasurer, based upon information provided by
27 the department, must transfer from the forward flexible account
28 created in RCW 46.68.--- (section 802, chapter . . . (Senate Bill
29 No.--- (S-1391/19)), Laws of 2019) to the general fund a sum equal to
30 the dollar amount that would otherwise have been deposited into the
31 general fund during the prior calendar quarter but for the exemption
32 provided in this section. Information provided by the department to
33 the state treasurer must be based on the best available data, except
34 that the department may provide estimates of taxes exempted under
35 this section until such time as retailers are able to report such
36 exempted amounts on their tax returns.

37 (5) (a) By the end of the fifth working day of each month, until
38 this section expires, the department of licensing must determine the
39 cumulative number of vehicles that qualify for the exemption under
40 this section and section 103 of this act, titled on or after the

1 qualification period start date, and provide notice of the cumulative
2 number of these vehicles to the department. Based on this
3 information, the department must estimate the dollar amount of all
4 state retail sales and use taxes exempted on or after the
5 qualification period start date, under this section and section 103
6 of this act on a monthly basis.

7 (b) The department of licensing, after receiving the information
8 under (a) of this subsection from the department, must notify the
9 department once it is estimated that the cumulative dollar amount of
10 state retail sales and use taxes exempted on or after the
11 qualification period start date from this section and section 103 of
12 this act will exceed one hundred million dollars in the subsequent
13 month.

14 (6) By December 31, 2019, and every six months thereafter until
15 this section expires, based on the best available data, the
16 department must report the following information to the
17 transportation committees of the legislature: The cumulative number
18 of vehicles that qualify for the exemption under this section and
19 section 103 of this act, titled in the state on or after the
20 qualification period start date, as reported to it by the department
21 of licensing; and the dollar amount of all state retail sales and use
22 taxes exempted on or after the qualification period start date, under
23 this section and section 103 of this act.

24 (7) The definitions in this subsection apply throughout this
25 section unless the context clearly requires otherwise.

26 (a) "Base model" means the lowest priced version of the vehicle
27 model for which the exemption under this section or section 103 of
28 this act is sought that:

29 (i) Is the same model year as the vehicle for which the exemption
30 under this section or section 103 of this act is sought;

31 (ii) Meets the same criteria of subsection (1)(a)(i) of this
32 section as the vehicle for which the exemption under this section or
33 section 103 of this act is sought; and

34 (iii) Is available for retail sale or lease to consumers.

35 (b) "Local sales tax" means a retail sales tax imposed under the
36 authority of chapter 82.14 RCW or RCW 81.104.170.

37 (c) "Local use tax" means a use tax imposed under the authority
38 of chapter 82.14 RCW or RCW 81.104.170.

39 (d) "Qualification period end date" means the date identified in
40 subsection (8)(a) of this section.

1 (e) "Qualification period start date" means the first day of the
2 first calendar month after June 2019 that is at least sixty days
3 after the effective date of this section.

4 (f) "Used" means a passenger car, light duty truck, or medium
5 duty passenger vehicle that has been previously owned or leased by a
6 person.

7 (8)(a) Sales of vehicles delivered to the buyer or leased
8 vehicles for which the lease agreement was signed after the last day
9 of the third calendar month immediately following the month the
10 department receives notice from the department of licensing under
11 subsection (5)(b) of this section do not qualify for the exemption
12 under this section.

13 (b) All leased vehicles that qualified for the exemption under
14 this section before the qualification period end date must continue
15 to receive the exemption as described under subsection (1)(b) of this
16 section on any lease payments due through the remainder of the lease
17 before the expiration date of this section, not including any
18 extension of the lease.

19 (c) For the purposes of (a) of this subsection, if the department
20 of licensing provides the department with notice under subsection (5)
21 of this section after the end of the fifth working day of the month,
22 the notice is deemed to have been received by the department the
23 following month.

24 (9)(a) Upon receiving notice from the department of licensing
25 under subsection (5)(b) of this section, the department must provide:

26 (i) Written notice of the qualification period end date and the
27 expiration date of this section to affected parties, the chief clerk
28 of the house of representatives, the secretary of the senate, the
29 office of the code reviser, and others as deemed appropriate by the
30 department; and

31 (ii) Electronic notice of the qualification period end date and
32 the expiration date of this section on its web site as soon as
33 practicable.

34 (b) Nothing in this subsection (9) may be construed to affect the
35 validity of any exemption properly allowed by a seller under this
36 section before the expiration date of this section and reported to
37 the department on returns filed after the expiration date of this
38 section.

39 (10) This section expires four years from the qualification
40 period end date.

1 NEW SECTION. **Sec. 103.** A new section is added to chapter 82.12
2 RCW to read as follows:

3 (1) Beginning with sales made, lease agreements signed, or other
4 transfers of ownership or possession occurring on or after the
5 qualification period start date:

6 (a) The provisions of this chapter, and any associated local use
7 taxes, do not apply as provided in (b) of this subsection in respect
8 to the use of new or used passenger cars, light duty trucks, and
9 medium duty passenger vehicles:

10 (i) That are exclusively powered by an electric battery; and

11 (ii) (A) That have at the time of purchase of a new vehicle, at
12 the inception of a lease of a new vehicle, or at the time of any
13 other transfer of ownership or possession of a new vehicle, a lowest
14 manufacturer's suggested retail price of forty-five thousand dollars
15 or less, as determined by the department of licensing, for the base
16 model; or

17 (B) When the vehicle is used, if the vehicle model qualified for
18 an exemption under this section and section 102 of this act when the
19 vehicle was new and is included on the list maintained by the
20 department of licensing under section 102(3) of this act.

21 (b) (i) The exemption in this section is applicable for up to one
22 thousand dollars of the state and local use tax otherwise due on:

23 (A) The use of a new or used vehicle; or

24 (B) For leased vehicles, the lease payments made by the lessee
25 under the lease, including any extension of the lease. If the lessee
26 purchases or re-leases the leased vehicle before the qualification
27 period end date and has not used the full one thousand dollar
28 exemption amount, the unused portion of the exemption amount may be
29 applied to the state and local sales or use tax due on the lessee's
30 purchase or re-lease of the leased vehicle.

31 (ii) The exemption under this section applies to the state and
32 local use tax otherwise due on the use of a qualifying vehicle in the
33 same proportion that the taxing authority's use tax rate or rates
34 have to the combined state and local use tax rate on the use of the
35 qualifying vehicle.

36 (iii) For purposes of reporting exemptions on a seller's tax
37 returns, the department may require sellers to convert exempted tax
38 amounts into an equivalent purchase price exemption and report such
39 amounts as a deduction on the seller's excise tax return.

1 (2) Sellers and consumers must keep records necessary for the
2 department to verify eligibility under this section.

3 (3) Until the qualification period end date, on the last working
4 day of January, April, July, and October of each year, beginning in
5 October 2019, the state treasurer, based upon information provided by
6 the department, must transfer from the forward flexible account
7 created in RCW 46.68.--- (section 802, chapter . . . (Senate Bill
8 No.--- (S-1391/19)), Laws of 2019) to the general fund a sum equal to
9 the dollar amount that would otherwise have been deposited into the
10 general fund during the prior calendar quarter but for the exemption
11 provided in this section. Information provided by the department to
12 the state treasurer must be based on the best available data.

13 (4) (a) Vehicles purchased, leased vehicles for which the lease
14 agreement was signed, and vehicles otherwise acquired after the
15 qualification period end date do not qualify for the exemption under
16 this section.

17 (b) All leased vehicles that qualified for the exemption under
18 this section before the qualification period end date must continue
19 to receive the exemption as described under subsection (1) (b) of this
20 section on any lease payments due through the remainder of the lease
21 before the expiration date of this section, not including any
22 extension of the lease.

23 (5) The definitions in section 102 of this act apply to this
24 section.

25 (6) (a) When the department of licensing, after receiving the
26 information under section 102 (5) (b) of this act from the department,
27 notifies the department that the estimated cumulative dollar amount
28 of state retail sales and use taxes exempted on or after the
29 qualification period start date from this section and section 102 of
30 this act will exceed one hundred million dollars in the subsequent
31 month, this section expires four years from the qualification period
32 end date.

33 (b) The department must provide:

34 (i) Written notice of the qualification period end date and the
35 expiration date of this section to affected parties, the chief clerk
36 of the house of representatives, the secretary of the senate, the
37 office of the code reviser, and others as deemed appropriate by the
38 department; and

1 (ii) Electronic notice of the qualification period end date and
2 the expiration date of this section on its web site as soon as
3 practicable.

4 **PART II**

5 **ELECTRIC AND ALTERNATIVE FUEL COMMERCIAL VEHICLE SALES TAX CREDITS**

6 NEW SECTION. **Sec. 201.** (1) This section is the tax preference
7 performance statement for the tax preferences contained in part II of
8 this act. The performance statement is only intended to be used for
9 subsequent evaluation of the tax preference. It is not intended to
10 create a private right of action by any party or be used to determine
11 eligibility for preferential tax treatment.

12 (2) The legislature categorizes the tax preference as one
13 intended to induce certain designated behavior by taxpayers, as
14 indicated in RCW 82.32.808(2) (a).

15 (3) It is the legislature's specific public policy objective to
16 increase the use of clean alternative fuel vehicles in Washington.

17 (4) To measure the effectiveness of the tax preferences in this
18 act in achieving the public policy objectives described in subsection
19 (3) of this section, the joint legislative audit and review committee
20 must evaluate the number of clean alternative fuel vehicles titled in
21 the state in calendar year 2023.

22 (5) In order to obtain the data necessary to perform the review
23 in subsection (4) of this section, the joint legislative audit and
24 review committee may refer to any data collected by the state.

25 **Sec. 202.** RCW 82.04.4496 and 2017 c 116 s 1 are each amended to
26 read as follows:

27 (1)(a) A person who is taxable under this chapter is allowed a
28 credit against the tax imposed in this chapter according to the gross
29 vehicle weight rating of the vehicle and the incremental cost of the
30 vehicle purchased above the purchase price of a comparable
31 conventionally fueled vehicle. The credit is limited, as set forth in
32 the table below, to the lesser of the incremental cost amount or the
33 maximum credit amount per vehicle purchased, and subject to a maximum
34 annual credit amount per vehicle class.

Gross Vehicle Weight	Incremental Cost Amount	Maximum Credit Amount	Maximum Annual Credit
		Per Vehicle	Per Vehicle Class

1	Up to 14,000 pounds	((50)) <u>75%</u> of incremental cost	\$25,000	(((\$2,000,000)) <u>\$13,333,333</u>
2				
3	14,001 to 26,500 pounds	((50)) <u>75%</u> of incremental cost	\$50,000	(((\$2,000,000)) <u>\$13,333,333</u>
4				
5	Above 26,500 pounds	((50)) <u>75%</u> of incremental cost	\$100,000	(((\$2,000,000)) <u>\$13,333,333</u>
6				

7 (b) On September 1st of each year any unused credits from any
8 weight class identified in the table in (a) of this subsection must
9 be made available to applicants applying for credits under any other
10 weight class listed.

11 (c) The credit provided in this subsection (1) is available for
12 the lease of a vehicle. The credit amount for a leased vehicle is
13 equal to the credit in this subsection (1) multiplied by the lease
14 reduction factor. The person claiming the credit for a leased vehicle
15 must be the lessee as identified in the lease contract.

16 (d) Beginning December 31, 2020, and every four years thereafter,
17 the department must review the credits claimed, incremental costs of
18 alternative fuel vehicles, and recommend changes to the incentive
19 levels for each class of vehicle to the legislature in order to
20 promote cost-efficient conversions.

21 (2) A person who is taxable under this chapter is allowed,
22 subject to the maximum annual credit per vehicle class in subsection
23 (1)(a) of this section, a credit against the tax imposed in this
24 chapter for the lesser of (~~(twenty-five))~~ fifty thousand dollars or
25 (~~(thirty))~~ fifty percent of the costs of converting a commercial
26 vehicle to be principally powered by a clean alternative fuel with a
27 United States environmental protection agency certified conversion.

28 (3) The total credits under this section may not exceed the
29 lesser of (~~(two))~~ five hundred (~~(fifty))~~ thousand dollars or
30 (~~(twenty-five))~~ fifty vehicles per person per calendar year.

31 (4) A person may not receive credit under this section for
32 amounts claimed as credits under chapter 82.16 RCW.

33 (5) Credits are available on a first-in-time basis. The
34 department must disallow any credits, or portion thereof, that would
35 cause the total amount of credits claimed under this section, and RCW
36 82.16.0496, during any calendar year to exceed (~~(six))~~ forty million
37 dollars. The department must provide notification on its web site
38 monthly on the amount of credits that have been applied for, the
39 amount issued, and the amount remaining before the statewide annual

1 limit is reached. In addition, the department must provide written
2 notice to any person who has applied to claim tax credits in excess
3 of the limitation in this subsection.

4 (6) For the purposes of the limits provided in this section, a
5 credit must be counted against such limits for the calendar year in
6 which the credit is earned.

7 (7) To claim a credit under this section a person must
8 electronically file with the department all returns, forms, and any
9 other information required by the department, in an electronic format
10 as provided or approved by the department. No refunds may be granted
11 for credits under this section.

12 (8) To claim a credit under this section, the person applying
13 must:

14 (a) Complete an application for the credit which must include:

15 (i) The name, business address, and tax identification number of
16 the applicant;

17 (ii) A quote or unexecuted copy of the purchase requisition or
18 order for the vehicle;

19 (iii) The type of alternative fuel to be used by the vehicle;

20 (iv) The incremental cost of the alternative fuel system;

21 (v) The anticipated delivery date of the vehicle;

22 (vi) The estimated annual fuel use of the vehicle in the
23 anticipated duties;

24 (vii) The gross weight of each vehicle;

25 (viii) For leased vehicles, a copy of the lease contract that
26 includes the gross capitalized cost, residual value, and name of the
27 lessee; and

28 (ix) Any other information deemed necessary by the department to
29 support administration or reporting of the program.

30 (b) Within fifteen days of notice of credit availability from the
31 department, provide notice of intent to claim the credit including:

32 (i) A copy of the order for the vehicle, including the total cost
33 for the vehicle;

34 (ii) The anticipated delivery date of the vehicle, which must be
35 within one year of acceptance of the credit; and

36 (iii) Any other information deemed necessary by the department to
37 support administration or reporting of the program.

38 (c) Provide final documentation within fifteen days of receipt of
39 the vehicle, including:

40 (i) A copy of the final invoice for the vehicle;

1 (ii) A copy of the factory build sheet or equivalent
2 documentation;

3 (iii) The vehicle identification number of each vehicle;

4 (iv) The incremental cost of the alternative fuel system;

5 (v) Attestations signed by both the seller and purchaser of each
6 vehicle attesting that the incremental cost of the alternative fuel
7 system includes only the costs necessary for the vehicle to run on
8 alternative fuel and no other vehicle options, equipment, or costs;
9 and

10 (vi) Any other information deemed necessary by the department to
11 support administration or reporting of the program.

12 (9) A person applying for credit under subsection (8) of this
13 section may apply for multiple vehicles on the same application, but
14 the application must include the required information for each
15 vehicle included in the application.

16 (10) To administer the credits, the department must, at a
17 minimum:

18 (a) Provide notification on its web site monthly of the amount of
19 credits that have been applied for, claimed, and the amount remaining
20 before the statewide annual limit is reached;

21 (b) Within fifteen days of receipt of the application, notify
22 persons applying of the availability of tax credits in the year in
23 which the vehicles applied for are anticipated to be delivered;

24 (c) Within fifteen days of receipt of the notice of intent to
25 claim the tax credit, notify the applicant of the approval, denial,
26 or missing information in their notice; and

27 (d) Within fifteen days of receipt of final documentation, review
28 the documentation and notify the person applying of the acceptance of
29 their final documentation.

30 (11) If a person fails to supply the information as required in
31 subsection (8) of this section, the department must deny the
32 application.

33 (12)(a) Taxpayers are only eligible for a credit under this
34 section based on:

35 (i) Sales or leases of new commercial vehicles and qualifying
36 used commercial vehicles with propulsion units that are principally
37 powered by a clean alternative fuel; or

38 (ii) Costs to modify a commercial vehicle, including sales of
39 tangible personal property incorporated into the vehicle and labor or

1 service expenses incurred in modifying the vehicle, to be principally
2 powered by a clean alternative fuel.

3 (b) A credit is earned when the purchaser or the lessee takes
4 receipt of the qualifying commercial vehicle or the conversion is
5 complete.

6 (13) A credit earned during one calendar year may be carried over
7 to be credited against taxes incurred in the subsequent calendar
8 year, but may not be carried over a second year.

9 (14)(a) Beginning November 25, 2015, and on the 25th of February,
10 May, August, and November of each year thereafter, the department
11 must notify the state treasurer of the amount of credits taken under
12 this section as reported on returns filed with the department during
13 the preceding calendar quarter ending on the last day of December,
14 March, June, and September, respectively.

15 (b) On the last working day of March, June, September, and
16 December of each year, the state treasurer, based upon information
17 provided by the department, must transfer a sum equal to the dollar
18 amount of the credit provided under this section from the multimodal
19 transportation account to the general fund. However, if at any time
20 the cumulative amount of credits claimed under this section and RCW
21 82.16.0496 total more than thirty-three million dollars, then the
22 state treasurer must cease making transfers under this subsection
23 from the multimodal transportation account.

24 (15) The definitions in this subsection apply throughout this
25 section unless the context clearly requires otherwise.

26 (a) "Auto transportation company" means any corporation or person
27 owning, controlling, operating, or managing any motor propelled
28 vehicle, used in the business of transporting persons for
29 compensation over public highways within the state of Washington,
30 between fixed points or over a regular route.

31 (b) "Clean alternative fuel" means electricity, dimethyl ether,
32 hydrogen, methane, natural gas, liquefied natural gas, compressed
33 natural gas, or propane.

34 (c) "Commercial vehicle" means any commercial vehicle that is
35 purchased by a private business and that is used exclusively in the
36 provision of commercial services or the transportation of
37 commodities, merchandise, produce, refuse, freight, animals, or
38 passengers, and that is displaying a Washington state license plate.
39 All commercial vehicles that provide transportation to passengers
40 must be operated by an auto transportation company.

1 (d) "Gross capitalized cost" means the agreed upon value of the
2 commercial vehicle and including any other items a person pays over
3 the lease term that are included in such cost.

4 (e) "Lease reduction factor" means the vehicle gross capitalized
5 cost less the residual value, divided by the gross capitalized cost.

6 (f) "Qualifying used commercial vehicle" means vehicles that:

7 (i) Have an odometer reading of less than four hundred fifty
8 thousand miles;

9 (ii) Are less than ten years past their original date of
10 manufacture;

11 (iii) Were modified after the initial purchase with a United
12 States environmental protection agency certified conversion that
13 would allow the propulsion units to be principally powered by a clean
14 alternative fuel; and

15 (iv) Are being sold for the first time after modification.

16 (g) "Residual value" means the lease-end value of the vehicle as
17 determined by the lessor, at the end of the lease term included in
18 the lease contract.

19 (16) Credits may be earned under this section from January 1,
20 2016, through (~~January 1, 2021~~) one year before the expiration date
21 of this section, except for credits for leased vehicles, which may be
22 earned from July 1, 2016, through (~~January 1, 2021~~) one year before
23 the expiration date of this section.

24 (17) Credits earned under this section may not be used after
25 (~~January 1, 2022~~) the expiration date of this section.

26 (18) This section expires on the earlier of the following dates:

27 (a) January 1, ((2022)) 2051; or

28 (b)(i) The date on which the department of revenue makes an
29 estimate stating that the cumulative amount of credits claimed under
30 this section and RCW 82.16.0496 will total more than thirty-three
31 million dollars in the subsequent month.

32 (ii) The department of revenue must provide written notice of the
33 expiration date of this section to affected parties, the chief clerk
34 of the house of representatives, the secretary of the senate, the
35 office of the code reviser, and others as deemed appropriate by the
36 department.

37 **Sec. 203.** RCW 82.16.0496 and 2017 c 116 s 2 are each amended to
38 read as follows:

1 (1) (a) A person who is taxable under this chapter is allowed a
 2 credit against the tax imposed in this chapter according to the gross
 3 vehicle weight rating of the vehicle and the incremental cost of the
 4 vehicle purchased above the purchase price of a comparable
 5 conventionally fueled vehicle. The credit is limited, as set forth in
 6 the table below, to the lesser of the incremental cost amount or the
 7 maximum credit amount per vehicle purchased, and subject to a maximum
 8 annual credit amount per vehicle class.

Gross Vehicle Weight	Incremental Cost Amount	Maximum Credit Amount Per Vehicle	Maximum Annual Credit Per Vehicle Class
Up to 14,000 pounds	((50)) 75% of incremental cost	\$25,000	(((\$2,000,000)) <u>\$13,333,333</u>)
14,001 to 26,500 pounds	((50)) 75% of incremental cost	\$50,000	(((\$2,000,000)) <u>\$13,333,333</u>)
Above 26,500 pounds	((50)) 75% of incremental cost	\$100,000	(((\$2,000,000)) <u>\$13,333,333</u>)

17 (b) On September 1st of each year any unused credits from any
 18 weight class identified in the table in (a) of this subsection must
 19 be made available to applicants applying for credits under any other
 20 weight class listed.

21 (c) The credit provided in this subsection (1) is available for
 22 the lease of a vehicle. The credit amount for a leased vehicle is
 23 equal to the credit in this subsection (1) multiplied by the lease
 24 reduction factor. The person claiming the credit for a leased vehicle
 25 must be the lessee as identified in the lease contract.

26 (d) Beginning December 31, 2020, and every four years thereafter,
 27 the department must review the credits claimed, incremental costs of
 28 alternative fuel vehicles, and recommend changes to the incentive
 29 levels for each class of vehicle to the legislature in order to
 30 promote cost-efficient conversions.

31 (2) A person who is taxable under this chapter is allowed,
 32 subject to the maximum annual credit per vehicle class in subsection
 33 (1)(a) of this section, a credit against the tax imposed in this
 34 chapter for the lesser of twenty-five thousand dollars or thirty
 35 percent of the costs of converting a commercial vehicle to be
 36 principally powered by a clean alternative fuel with a United States
 37 environmental protection agency certified conversion.

1 (3) The total credits under this section may not exceed two
2 hundred fifty thousand dollars or twenty-five vehicles per person per
3 calendar year.

4 (4) A person may not receive credit under this section for
5 amounts claimed as credits under chapter 82.04 RCW.

6 (5) Credits are available on a first-in-time basis. The
7 department must disallow any credits, or portion thereof, that would
8 cause the total amount of credits claimed under this section, and RCW
9 82.04.4496, during any calendar year to exceed (~~six~~) forty million
10 dollars. The department must provide notification on its web site
11 monthly on the amount of credits that have been applied for, the
12 amount issued, and the amount remaining before the statewide annual
13 limit is reached. In addition, the department must provide written
14 notice to any person who has applied to claim tax credits in excess
15 of the limitation in this subsection.

16 (6) For the purposes of the limits provided in this section, a
17 credit must be counted against such limits for the calendar year in
18 which the credit is earned.

19 (7) To claim a credit under this section a person must
20 electronically file with the department all returns, forms, and any
21 other information required by the department, in an electronic format
22 as provided or approved by the department. No refunds may be granted
23 for credits under this section.

24 (8) To claim a credit under this section, the person applying
25 must:

26 (a) Complete an application for the credit which must include:

27 (i) The name, business address, and tax identification number of
28 the applicant;

29 (ii) A quote or unexecuted copy of the purchase requisition or
30 order for the vehicle;

31 (iii) The type of alternative fuel to be used by the vehicle;

32 (iv) The incremental cost of the alternative fuel system;

33 (v) The anticipated delivery date of the vehicle;

34 (vi) The estimated annual fuel use of the vehicle in the
35 anticipated duties;

36 (vii) The gross weight of each vehicle;

37 (viii) For leased vehicles, a copy of the lease contract that
38 includes the gross capitalized cost, residual value, and name of the
39 lessee; and

1 (ix) Any other information deemed necessary by the department to
2 support administration or reporting of the program.

3 (b) Within fifteen days of notice of credit availability from the
4 department, provide notice of intent to claim the credit including:

5 (i) A copy of the order for the vehicle, including the total cost
6 for the vehicle;

7 (ii) The anticipated delivery date of the vehicle, which must be
8 within one year of acceptance of the credit; and

9 (iii) Any other information deemed necessary by the department to
10 support administration or reporting of the program.

11 (c) Provide final documentation within fifteen days of receipt of
12 the vehicle, including:

13 (i) A copy of the final invoice for the vehicle;

14 (ii) A copy of the factory build sheet or equivalent
15 documentation;

16 (iii) The vehicle identification number of each vehicle;

17 (iv) The incremental cost of the alternative fuel system;

18 (v) Attestations signed by both the seller and purchaser of the
19 vehicle attesting that the incremental cost of the alternative fuel
20 system includes only the costs necessary for the vehicle to run on
21 alternative fuel and no other vehicle options, equipment, or costs;
22 and

23 (vi) Any other information deemed necessary by the department to
24 support administration or reporting of the program.

25 (9) A person applying for credit under subsection (8) of this
26 section may apply for multiple vehicles on the same application, but
27 the application must include the required information for each
28 vehicle included in the application.

29 (10) To administer the credits, the department must, at a
30 minimum:

31 (a) Provide notification on its web site monthly of the amount of
32 credits that have been applied for, claimed, and the amount remaining
33 before the statewide annual limit is reached;

34 (b) Within fifteen days of receipt of the application, notify
35 persons applying of the availability of tax credits in the year in
36 which the vehicles applied for are anticipated to be delivered;

37 (c) Within fifteen days of receipt of the notice of intent to
38 claim the tax credit, notify the applicant of the approval, denial,
39 or missing information in their notice; and

1 (d) Within fifteen days of receipt of final documentation, review
2 the documentation and notify the person applying of the acceptance of
3 their final documentation.

4 (11) If a person fails to supply the information as required in
5 subsection (8) of this section, the department must deny the
6 application.

7 (12)(a) Taxpayers are only eligible for a credit under this
8 section based on:

9 (i) Sales or leases of new commercial vehicles and qualifying
10 used commercial vehicles with propulsion units that are principally
11 powered by a clean alternative fuel; or

12 (ii) Costs to modify a commercial vehicle, including sales of
13 tangible personal property incorporated into the vehicle and labor or
14 service expenses incurred in modifying the vehicle, to be principally
15 powered by a clean alternative fuel.

16 (b) A credit is earned when the purchaser or the lessee takes
17 receipt of the qualifying commercial vehicle or the conversion is
18 complete.

19 (13) The definitions in RCW 82.04.4496 apply to this section.

20 (14) A credit earned during one calendar year may be carried over
21 to be credited against taxes incurred in the subsequent calendar
22 year, but may not be carried over a second year.

23 (15)(a) Beginning November 25, 2015, and on the 25th of February,
24 May, August, and November of each year thereafter, the department
25 must notify the state treasurer of the amount of credits taken under
26 this section as reported on returns filed with the department during
27 the preceding calendar quarter ending on the last day of December,
28 March, June, and September, respectively.

29 (b) On the last working day of March, June, September, and
30 December of each year, the state treasurer, based upon information
31 provided by the department, must transfer a sum equal to the dollar
32 amount of the credit provided under this section from the multimodal
33 transportation account to the general fund. However, if at any time
34 the cumulative amount of credits claimed under this section and RCW
35 82.04.4496 total more than thirty-three million dollars, then the
36 state treasurer must cease making transfers under this subsection
37 from the multimodal transportation account.

38 (16) Credits may be earned under this section from January 1,
39 2016, through (~~January 1, 2021~~) one year before the expiration date
40 of this section, except for credits for leased vehicles, which may be

1 earned from July 1, 2016, through (~~January 1, 2021~~) one year before
2 the expiration date of this section.

3 (17) Credits earned under this section may not be used after
4 (~~January 1, 2022~~) the expiration date of this section.

5 (18) This section expires on the earlier of the following dates:

6 (a) January 1, (~~2022~~) 2051; or

7 (b) (i) The date on which the department of revenue makes an
8 estimate stating that the cumulative amount of credits claimed under
9 this section and RCW 82.04.4496 will total more than thirty-three
10 million dollars in the subsequent month.

11 (ii) The department of revenue must provide written notice of the
12 expiration date of this section to affected parties, the chief clerk
13 of the house of representatives, the secretary of the senate, the
14 office of the code reviser, and others as deemed appropriate by the
15 department.

16 PART III

17 ELECTRIFICATION OF TRANSPORTATION INFRASTRUCTURE

18 NEW SECTION. Sec. 301. (1) The legislature finds that programs
19 for electrification of transportation have the potential to allow
20 electric utilities to optimize the use of electric grid
21 infrastructure, improve the management of electric loads, and better
22 manage the integration of variable renewable energy resources.
23 Depending upon each utility's unique circumstances, electrification
24 of transportation programs may provide cost-effective energy
25 efficiency, through more efficient use of energy resources, and more
26 efficient use of the electric delivery system. Electrification of
27 transportation may result in cost savings and benefits for all
28 ratepayers.

29 (2) State policy can achieve the greatest return on investment in
30 reducing greenhouse gas emissions and improving air quality by
31 expediting the transition to alternative fuel vehicles, including
32 electric vehicles. Potential benefits associated with electrification
33 of transportation include the monetization of environmental
34 attributes associated with carbon reduction in the transportation
35 sector.

36 (3) Legislative clarity is important for utilities to offer
37 programs and services, including incentives, in the electrification
38 of transportation for their customers. It is the intent of the

1 legislature to achieve parity among all electric utilities, so each
2 electric utility, depending on its unique circumstances, can
3 determine its appropriate role in the development of electrification
4 of transportation infrastructure.

5 NEW SECTION. **Sec. 302.** A new section is added to chapter 35.92
6 RCW to read as follows:

7 (1) The governing authority of an electric utility formed under
8 this chapter may adopt an electrification of transportation plan
9 that, at a minimum, establishes a finding that utility outreach and
10 investment in the electrification of transportation infrastructure
11 does not increase net costs to ratepayers in excess of one-quarter of
12 one percent.

13 (2) In adopting an electrification of transportation plan under
14 subsection (1) of this section, the governing authority may consider
15 some or all of the following: (a) The applicability of multiple
16 options for electrification of transportation across all customer
17 classes; (b) the impact of electrification on the utility's load, and
18 whether demand response or other load management opportunities,
19 including direct load control and dynamic pricing, are operationally
20 appropriate; (c) system reliability and distribution system
21 efficiencies; (d) interoperability concerns, including the
22 interoperability of hardware and software systems in electrification
23 of transportation proposals; and (e) overall customer experience.

24 (3) An electric utility formed under this chapter may, upon
25 making a determination in accordance with subsection (1) of this
26 section, offer incentive programs in the electrification of
27 transportation for its customers, including the promotion of electric
28 vehicle adoption and advertising programs to promote the utility's
29 services, incentives, or rebates.

30 NEW SECTION. **Sec. 303.** A new section is added to chapter 54.16
31 RCW to read as follows:

32 (1) The commission of a public utility district may adopt an
33 electrification of transportation plan that, at a minimum,
34 establishes a finding that outreach and investment in the
35 electrification of transportation infrastructure does not increase
36 net costs to ratepayers in excess of one-quarter of one percent.

37 (2) In adopting an electrification of transportation plan under
38 subsection (1) of this section, the commission of a public utility

1 district may consider some or all of the following: (a) The
2 applicability of multiple options for electrification of
3 transportation across all customer classes; (b) the impact of
4 electrification on the district's load, and whether demand response
5 or other load management opportunities, including direct load control
6 and dynamic pricing, are operationally appropriate; (c) system
7 reliability and distribution system efficiencies; (d)
8 interoperability concerns, including the interoperability of hardware
9 and software systems in electrification of transportation proposals;
10 and (e) overall customer experience.

11 (3) A public utility district may, upon making a determination in
12 accordance with subsection (1) of this section, offer incentive
13 programs in the electrification of transportation for its customers,
14 including the promotion of electric vehicle adoption and advertising
15 programs to promote the district's services, incentives, or rebates.

16 NEW SECTION. **Sec. 304.** A new section is added to chapter 80.28
17 RCW to read as follows:

18 (1) An electric utility regulated by the commission under this
19 chapter may submit to the commission an electrification of
20 transportation plan that deploys electric vehicle supply equipment or
21 provides other electric transportation programs, services, or
22 incentives to support electrification of transportation, provided
23 that such electric vehicle supply equipment, programs, or services
24 may not increase costs to customers in excess of one-quarter of one
25 percent above the benefits of electric transportation to all
26 customers over a period consistent with the utility's planning
27 horizon under its most recent integrated resource plan.

28 (2) In reviewing an electrification of transportation plan under
29 subsection (1) of this section, the commission may consider the
30 following:

31 (a) The applicability of multiple options for electrification of
32 transportation across all customer classes;

33 (b) The impact of electrification on the utility's load, and
34 whether demand response or other load management opportunities,
35 including direct load control and dynamic pricing, are operationally
36 appropriate;

37 (c) System reliability and distribution system efficiencies;

1 (d) Interoperability concerns, including the interoperability of
2 hardware and software systems in electrification of transportation
3 proposals;

4 (e) The benefits and costs of the plan actions; and

5 (f) The overall customer experience.

6 (3) The commission must issue an acknowledgment of an
7 electrification plan within six months of the submittal of the plan.
8 The commission may establish by rule the requirements for preparation
9 and submission of an electrification of transportation plan. An
10 electric utility may submit a plan concurrent with the section before
11 or during rule-making proceedings.

12 **Sec. 305.** RCW 80.28.360 and 2015 c 220 s 2 are each amended to
13 read as follows:

14 (1) In establishing rates for each electrical company regulated
15 under this title, the commission may allow an incentive rate of
16 return on investment through December 31, 2030, on capital
17 expenditures for electric vehicle supply equipment that is deployed
18 for the benefit of ratepayers, provided that the capital expenditures
19 do not increase costs to ratepayers in excess of one-quarter of one
20 percent. The commission must consider and may adopt other policies to
21 improve access to and promote fair competition in the provision of
22 electric vehicle supply equipment.

23 (2) An incentive rate of return on investment under this section
24 may be allowed only if the company chooses to pursue capital
25 investment in electric vehicle supply equipment on a fully regulated
26 basis similar to other capital investments behind a customer's meter.
27 In the case of an incentive rate of return on investment allowed
28 under this section, an increment of up to two percent must be added
29 to the rate of return on common equity allowed on the company's other
30 investments.

31 (3) The incentive rate of return on investment authorized in
32 subsection (2) of this section applies only to projects which have
33 been installed after July 1, 2015(~~(, and which are reasonably~~
34 ~~expected, at the time they are placed in the rate base, to result in~~
35 ~~real and tangible benefits for ratepayers by being installed and~~
36 ~~located where electric vehicles are most likely to be parked for~~
37 ~~intervals longer than two hours))).~~

38 (4) The incentive rate of return on investment increment pursuant
39 to this section may be earned only for a period up to the depreciable

1 life of the electric vehicle supply equipment as defined in the
2 depreciation schedules developed by the company and submitted to the
3 commission for review. When the capital investment has fully
4 depreciated, an electrical company may gift the electric vehicle
5 supply equipment to the owner of the property on which it is located.
6 (5) By December 31, 2017, the commission must report to the
7 appropriate committees of the legislature with regard to the use of
8 any incentives allowed under this section, the quantifiable impacts
9 of the incentives on actual electric vehicle deployment, and any
10 recommendations to the legislature about utility participation in the
11 electric vehicle market.

12
13

PART IV
MISCELLANEOUS PROVISIONS

14 NEW SECTION. **Sec. 401.** The provisions of RCW 82.32.805(1)(a) do
15 not apply to part II of this act.

16 NEW SECTION. **Sec. 402.** Part I and II of this act are necessary
17 for the immediate preservation of the public peace, health, or
18 safety, or support of the state government and its existing public
19 institutions, and take effect immediately.

20 NEW SECTION. **Sec. 403.** Part III of this act is necessary for
21 the immediate preservation of the public peace, health, or safety, or
22 support of the state government and its existing public institutions,
23 and takes effect July 1, 2019.

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