
SUBSTITUTE HOUSE BILL 1396

State of Washington

64th Legislature

2015 Regular Session

By House Transportation (originally sponsored by Representatives Clibborn, Orcutt, Fey, Zeiger, Fitzgibbon, Farrell, Tarleton, Peterson, McBride, Gregerson, and Goodman)

1 AN ACT Relating to incentivizing the use of alternative fuel
2 commercial use vehicles with tax preferences; adding a new section to
3 chapter 82.04 RCW; adding a new section to chapter 82.16 RCW;
4 creating a new section; providing an effective date; and providing
5 expiration dates.

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

7 **Legislative Findings and Tax Performance Statement**

8 NEW SECTION. **Sec. 1.** (1) This act is known and may be cited as
9 the clean fuel vehicle incentives act.

10 (2) The legislature finds that cleaner fuels reduce greenhouse
11 gas emissions in the transportation sector and lead to a more
12 sustainable environment. The legislature further finds that
13 alternative fuel vehicles cost more than comparable models of
14 conventional fuel vehicles, particularly in the commercial market.
15 The legislature further finds the higher cost of alternative fuel
16 vehicles incentivize companies to purchase comparable models of
17 conventional fuel vehicles. The legislature further finds that other
18 states provide various tax credits and exemptions. The legislature
19 further finds incentivizing businesses to purchase cleaner,

1 alternative fuel vehicles is a collaborative step toward meeting the
2 state's climate and environmental goals.

3 (3)(a) This subsection is the tax preference performance
4 statement for the clean alternative fuel vehicle tax credits provided
5 in sections 2 and 3 of this act. The performance statement is only
6 intended to be used for subsequent evaluation of the tax preference.
7 It is not intended to create a private right of action by any party
8 or be used to determine eligibility for preferential tax treatment.

9 (b) The legislature categorizes the tax preference as one
10 intended to induce certain designated behavior by taxpayers.

11 (c) It is the legislature's specific public policy objective to
12 provide a credit against business and occupation and public utility
13 taxes to increase sales of commercial vehicles that use clean
14 alternative fuel to ten percent of commercial vehicle sales by 2026.

15 (d) To measure the effectiveness of the credit provided in this
16 act in achieving the specific public policy objective described in
17 (c) of this subsection, the joint legislative audit and review
18 committee must, at minimum, evaluate the changes in the number of
19 commercial vehicles that are powered by clean alternative fuel that
20 are registered in Washington state.

21 (e)(i) The department of licensing must provide data needed for
22 the joint legislative audit and review committee's analysis in (d) of
23 this subsection.

24 (ii) In addition to the data source described under (e)(i) of
25 this subsection, the joint legislative audit and review committee may
26 use any other data it deems necessary in performing the evaluation
27 under (d) of this subsection.

28 **Business and Occupation Tax and Public Utility Tax Credits**

29 NEW SECTION. **Sec. 2.** A new section is added to chapter 82.04
30 RCW to read as follows:

31 (1)(a) A person who is taxable under this chapter is allowed a
32 credit against the tax imposed in this chapter according to the gross
33 vehicle weight rating of the vehicle and the incremental cost of the
34 vehicle purchased above the purchase price of a comparable
35 conventionally fueled vehicle. The credit is limited, as set forth in
36 the table below, to the lesser of the incremental cost amount or the
37 maximum credit amount per vehicle purchased, and subject to a maximum
38 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% of incremental cost	\$5,000	\$2,000,000
14,001 to 26,500 pounds	50% of incremental cost	\$10,000	\$2,000,000
Above 26,500 pounds	50% of incremental cost	\$20,000	\$2,000,000

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

(c) The credit provided in this subsection (1) is not available for the lease of a vehicle.

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

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

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

(5) Credits are available on a first-in-time basis. The department must disallow any credits, or portion thereof, that would cause the total amount of credits claimed under this section, and section 3 of this act, during any calendar year to exceed six million dollars. The department must provide notification on its web site monthly on the amount of credits that have been applied for, the amount issued, and the amount remaining before the statewide annual limit is reached. In addition, the department must provide written notice to any person who has applied to claim tax credits in excess of the limitation in this subsection.

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

(7) To claim a credit under this section a person must electronically file with the department all returns, forms, and any

1 other information required by the department, in an electronic format
2 as provided or approved by the department. No refunds may be granted
3 for credits under this section.

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

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

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

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

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

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

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

14 (vi) The estimated annual fuel use of the vehicle in its
15 anticipated duties;

16 (vii) The gross weight of the vehicle; and

17 (viii) Any other information deemed necessary by the department
18 to support administration or reporting of the program.

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

21 (i) A copy of the order for the vehicle, including the total cost
22 for the vehicle;

23 (ii) The anticipated delivery date of the vehicle, which must be
24 within one hundred twenty days of acceptance of the credit; and

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

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

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

30 (ii) A copy of the factory build sheet or equivalent
31 documentation;

32 (iii) The vehicle identification number of the vehicle;

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

34 (v) Attestations signed by both the seller and purchaser of the
35 vehicle attesting that the incremental cost of the alternative fuel
36 system includes only the costs necessary for the vehicle to run on
37 alternative fuel and no other vehicle options, equipment, or costs;
38 and

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

1 (9) To administer the credits, the department must, at a minimum:

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

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

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

11 (d) Within fifteen days of receipt of final documentation, review
12 the documentation and notify the person applying of the acceptance of
13 their final documentation.

14 (10) If a person fails to supply the information as required in
15 subsection (8) of this section, the department must deny the
16 application.

17 (11)(a) Taxpayers are only eligible for a credit under this
18 section based on:

19 (i) Sales, but not leases, of new commercial vehicles and
20 qualifying used commercial vehicles with propulsion units that are
21 principally powered by a clean alternative fuel; or

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

26 (b) A credit is earned when qualifying purchases are made.

27 (12) A credit earned during one calendar year may be carried over
28 to be credited against taxes incurred in the subsequent calendar
29 year, but may not be carried over a second year.

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

36 (b) On the last day of March, June, September, and December of
37 each year, the state treasurer, based upon information provided by
38 the department, must transfer a sum equal to the dollar amount of the
39 credit provided under this section from the multimodal transportation
40 account to the general fund.

1 (14) The definitions in this subsection apply throughout this
2 section unless the context clearly requires otherwise.

3 (a) "Commercial vehicle" means any commercial vehicle that is
4 purchased by a private business and that is used exclusively in the
5 transportation of commodities, merchandise, produce, refuse, freight,
6 or animals, and that is displaying a Washington state license plate.

7 (b) "Clean alternative fuel" means electricity, dimethyl ether,
8 hydrogen, methane, natural gas, liquefied natural gas, compressed
9 natural gas, or propane.

10 (c) "Qualifying used commercial vehicle" means vehicles that:

11 (i) Have an odometer reading of less than thirty thousand miles;

12 (ii) Are less than two years past their original date of
13 manufacture;

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

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

19 (15) No tax credits may be earned under this section beginning
20 January 1, 2026.

21 (16) Credits earned under this section may not be used after
22 January 1, 2027.

23 NEW SECTION. **Sec. 3.** A new section is added to chapter 82.16
24 RCW to read as follows:

25 (1)(a) A person who is taxable under this chapter is allowed a
26 credit against the tax imposed in this chapter according to the gross
27 vehicle weight rating of the vehicle and the incremental cost of the
28 vehicle purchased above the purchase price of a comparable
29 conventionally fueled vehicle. The credit is limited, as set forth in
30 the table below, to the lesser of the incremental cost amount or the
31 maximum credit amount per vehicle purchased, and subject to a maximum
32 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% of incremental cost	\$5,000	\$2,000,000
14,001 to 26,500 pounds	50% of incremental cost	\$10,000	\$2,000,000
Above 26,500 pounds	50% of incremental cost	\$20,000	\$2,000,000

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

5 (c) The credit provided in this subsection (1) is not available
6 for the lease of a vehicle.

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

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

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

19 (5) Credits are available on a first-in-time basis. The
20 department must disallow any credits, or portion thereof, that would
21 cause the total amount of credits claimed under this section, and
22 section 2 of this act, during any calendar year to exceed six million
23 dollars. The department must provide notification on its web site
24 monthly on the amount of credits that have been applied for, the
25 amount issued, and the amount remaining before the statewide annual
26 limit is reached. In addition, the department must provide written
27 notice to any person who has applied to claim tax credits in excess
28 of the limitation in this subsection.

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

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

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

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

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

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

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

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

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

8 (vi) The estimated annual fuel use of the vehicle in its
9 anticipated duties;

10 (vii) The gross weight of the vehicle; and

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

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

15 (i) A copy of the order for the vehicle, including the total cost
16 for the vehicle;

17 (ii) The anticipated delivery date of the vehicle, which must be
18 within one hundred twenty days of acceptance of the credit; and

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

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

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

24 (ii) A copy of the factory build sheet or equivalent
25 documentation;

26 (iii) The vehicle identification number of the vehicle;

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

28 (v) Attestations signed by both the seller and purchaser of the
29 vehicle attesting that the incremental cost of the alternative fuel
30 system includes only the costs necessary for the vehicle to run on
31 alternative fuel and no other vehicle options, equipment, or costs;
32 and

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

35 (9) To administer the credits, the department must, at a minimum:

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

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

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

7 (d) Within fifteen days of receipt of final documentation, review
8 the documentation and notify the person applying of the acceptance of
9 their final documentation.

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

13 (11)(a) Taxpayers are only eligible for a credit under this
14 section based on:

15 (i) Sales, but not leases, of new commercial vehicles and
16 qualifying used commercial vehicles with propulsion units that are
17 principally powered by a clean alternative fuel; or

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

22 (b) A credit is earned when qualifying purchases are made.

23 (12) The definitions in section 2 of this act apply to this
24 section.

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

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

34 (b) On the last day of March, June, September, and December of
35 each year, the state treasurer, based upon information provided by
36 the department, must transfer a sum equal to the dollar amount of the
37 credit provided under this section from the multimodal transportation
38 account to the general fund.

39 (15) No tax credits may be earned under this section beginning
40 January 1, 2026.

1 (16) Credits earned under this section may not be used after
2 January 1, 2027.

3 **Miscellaneous Provisions**

4 NEW SECTION. **Sec. 4.** This act takes effect January 1, 2016.

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