

CERTIFICATION OF ENROLLMENT
ENGROSSED SUBSTITUTE HOUSE BILL 1809

Chapter 116, Laws of 2017

65th Legislature
2017 Regular Session

CLEAN ALTERNATIVE FUEL COMMERCIAL VEHICLES--TAX CREDITS--VARIOUS
CHANGES

EFFECTIVE DATE: 1/1/2018

Passed by the House March 1, 2017
Yeas 97 Nays 1

FRANK CHOPP

Speaker of the House of Representatives

Passed by the Senate April 10, 2017
Yeas 42 Nays 6

CYRUS HABIB

President of the Senate

Approved April 25, 2017 10:47 AM

JAY INSLEE

Governor of the State of Washington

CERTIFICATE

I, Bernard Dean, Chief Clerk of the House of Representatives of the State of Washington, do hereby certify that the attached is **ENGROSSED SUBSTITUTE HOUSE BILL 1809** as passed by House of Representatives and the Senate on the dates hereon set forth.

BERNARD DEAN

Chief Clerk

FILED

April 25, 2017

**Secretary of State
State of Washington**

ENGROSSED SUBSTITUTE HOUSE BILL 1809

Passed Legislature - 2017 Regular Session

State of Washington 65th Legislature 2017 Regular Session

By House Finance (originally sponsored by Representatives Fey, Orcutt, and McBride)

READ FIRST TIME 02/17/17.

1 AN ACT Relating to tax credits for clean alternative fuel
2 commercial vehicles; amending RCW 82.16.0496; amending 2016 c 29 s 3
3 (uncodified); reenacting and amending RCW 82.04.4496; providing an
4 effective date; and providing expiration dates.

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

6 **Sec. 1.** RCW 82.04.4496 and 2016 c 29 s 1 are each reenacted and
7 amended to read as follows:

8 (1)(a) A person who is taxable under this chapter is allowed a
9 credit against the tax imposed in this chapter according to the gross
10 vehicle weight rating of the vehicle and the incremental cost of the
11 vehicle purchased above the purchase price of a comparable
12 conventionally fueled vehicle. The credit is limited, as set forth in
13 the table below, to the lesser of the incremental cost amount or the
14 maximum credit amount per vehicle purchased, and subject to a maximum
15 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) <u>\$25,000</u> | \$2,000,000 |
| 14,001 to 26,500 pounds | 50% of incremental cost | (\$10,000) <u>\$50,000</u> | \$2,000,000 |

| | | | |
|---------------------|-------------------------|--|-------------|
| Above 26,500 pounds | 50% of incremental cost | ((\$20,000)) <u>\$100,000</u> | \$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 available for the lease of a vehicle. The credit amount for a leased vehicle is equal to the credit in this subsection (1) multiplied by the lease reduction factor. The person claiming the credit for a leased vehicle must be the lessee as identified in the lease contract.

(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 RCW 82.16.0496, 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 other information required by the department, in an electronic format

1 as provided or approved by the department. No refunds may be granted
2 for credits under this section.

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

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

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

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

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

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

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

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

15 (vii) The gross weight of ~~((the))~~ each vehicle;

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

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

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

23 (i) A copy of the order for the vehicle, including the total cost
24 for the vehicle;

25 (ii) The anticipated delivery date of the vehicle, which must be
26 within one ~~((hundred twenty days))~~ year of acceptance of the credit;
27 and

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

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

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

33 (ii) A copy of the factory build sheet or equivalent
34 documentation;

35 (iii) The vehicle identification number of ~~((the))~~ each vehicle;

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

37 (v) Attestations signed by both the seller and purchaser of
38 ~~((the))~~ each vehicle attesting that the incremental cost of the
39 alternative fuel system includes only the costs necessary for the

1 vehicle to run on alternative fuel and no other vehicle options,
2 equipment, or costs; and

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

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

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

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

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

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

20 (d) Within fifteen days of receipt of final documentation, review
21 the documentation and notify the person applying of the acceptance of
22 their final documentation.

23 ~~((+10))~~ (11) If a person fails to supply the information as
24 required in subsection (8) of this section, the department must deny
25 the application.

26 ~~((+11))~~ (12)(a) Taxpayers are only eligible for a credit under
27 this section based on:

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

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

35 (b) A credit is earned when ~~((qualifying purchases are made))~~ the
36 purchaser or the lessee takes receipt of the qualifying commercial
37 vehicle or the conversion is complete.

38 ~~((+12))~~ (13) A credit earned during one calendar year may be
39 carried over to be credited against taxes incurred in the subsequent
40 calendar year, but may not be carried over a second year.

1 (~~(13)~~) (14)(a) Beginning November 25, 2015, and on the 25th of
2 February, May, August, and November of each year thereafter, the
3 department must notify the state treasurer of the amount of credits
4 taken under this section as reported on returns filed with the
5 department during the preceding calendar quarter ending on the last
6 day of December, March, June, and September, respectively.

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

12 (~~(14)~~) (15) The definitions in this subsection apply throughout
13 this section unless the context clearly requires otherwise.

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

19 **(b)** "Clean alternative fuel" means electricity, dimethyl ether,
20 hydrogen, methane, natural gas, liquefied natural gas, compressed
21 natural gas, or propane.

22 (~~(b)~~) (c) "Commercial vehicle" means any commercial vehicle
23 that is purchased by a private business and that is used exclusively
24 in the provision of commercial services or the transportation of
25 commodities, merchandise, produce, refuse, freight, (~~(or)~~) animals,
26 or passengers, and that is displaying a Washington state license
27 plate. All commercial vehicles that provide transportation to
28 passengers must be operated by an auto transportation company.

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

32 (~~(d)~~) (e) "Lease reduction factor" means the vehicle gross
33 capitalized cost less the residual value, divided by the gross
34 capitalized cost.

35 (~~(e)~~) (f) "Qualifying used commercial vehicle" means vehicles
36 that:

37 (i) Have an odometer reading of less than (~~(thirty)~~) four hundred
38 fifty thousand miles;

39 (ii) Are less than (~~(two)~~) ten years past their original date of
40 manufacture;

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

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

6 ~~((f))~~ (g) "Residual value" means the lease-end value of the
7 vehicle as determined by the lessor, at the end of the lease term
8 included in the lease contract.

9 ~~((15))~~ (16) Credits may be earned under this section from
10 January 1, 2016, through January 1, 2021, except for credits for
11 leased vehicles, which may be earned from July 1, 2016, through
12 January 1, 2021.

13 ~~((16))~~ (17) Credits earned under this section may not be used
14 after January 1, 2022.

15 (18) This section expires January 1, 2022.

16 **Sec. 2.** RCW 82.16.0496 and 2016 c 29 s 2 are each amended to
17 read as follows:

18 (1)(a) A person who is taxable under this chapter is allowed a
19 credit against the tax imposed in this chapter according to the gross
20 vehicle weight rating of the vehicle and the incremental cost of the
21 vehicle purchased above the purchase price of a comparable
22 conventionally fueled vehicle. The credit is limited, as set forth in
23 the table below, to the lesser of the incremental cost amount or the
24 maximum credit amount per vehicle purchased, and subject to a maximum
25 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) <u>\$25,000</u> | \$2,000,000 |
| 14,001 to 26,500 pounds | 50% of incremental cost | (\$10,000) <u>\$50,000</u> | \$2,000,000 |
| Above 26,500 pounds | 50% of incremental cost | (\$20,000) <u>\$100,000</u> | \$2,000,000 |

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

35 (c) The credit provided in this subsection (1) is available for
36 the lease of a vehicle. The credit amount for a leased vehicle is
37 equal to the credit in this subsection (1) multiplied by the lease

1 reduction factor. The person claiming the credit for a leased vehicle
2 must be the lessee as identified in the lease contract.

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

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

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

15 (5) Credits are available on a first-in-time basis. The
16 department must disallow any credits, or portion thereof, that would
17 cause the total amount of credits claimed under this section, and RCW
18 82.04.4496, during any calendar year to exceed six million dollars.
19 The department must provide notification on its web site monthly on
20 the amount of credits that have been applied for, the amount issued,
21 and the amount remaining before the statewide annual limit is
22 reached. In addition, the department must provide written notice to
23 any person who has applied to claim tax credits in excess of the
24 limitation in this subsection.

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

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

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

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

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

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

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

1 (iv) The incremental cost of the alternative fuel system;
2 (v) The anticipated delivery date of the vehicle;
3 (vi) The estimated annual fuel use of the vehicle in ~~((its))~~ the
4 anticipated duties;
5 (vii) The gross weight of ~~((the))~~ each vehicle;
6 (viii) For leased vehicles, a copy of the lease contract that
7 includes the gross capitalized cost, residual value, and name of the
8 lessee; and
9 (ix) Any other information deemed necessary by the department to
10 support administration or reporting of the program.
11 (b) Within fifteen days of notice of credit availability from the
12 department, provide notice of intent to claim the credit including:
13 (i) A copy of the order for the vehicle, including the total cost
14 for the vehicle;
15 (ii) The anticipated delivery date of the vehicle, which must be
16 within one ~~((hundred twenty days))~~ year of acceptance of the credit;
17 and
18 (iii) Any other information deemed necessary by the department to
19 support administration or reporting of the program.
20 (c) Provide final documentation within fifteen days of receipt of
21 the vehicle, including:
22 (i) A copy of the final invoice for the vehicle;
23 (ii) A copy of the factory build sheet or equivalent
24 documentation;
25 (iii) The vehicle identification number of ~~((the))~~ each vehicle;
26 (iv) The incremental cost of the alternative fuel system;
27 (v) Attestations signed by both the seller and purchaser of the
28 vehicle attesting that the incremental cost of the alternative fuel
29 system includes only the costs necessary for the vehicle to run on
30 alternative fuel and no other vehicle options, equipment, or costs;
31 and
32 (vi) Any other information deemed necessary by the department to
33 support administration or reporting of the program.
34 (9) A person applying for credit under subsection (8) of this
35 section may apply for multiple vehicles on the same application, but
36 the application must include the required information for each
37 vehicle included in the application.
38 (10) To administer the credits, the department must, at a
39 minimum:

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

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

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

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

13 ~~((+10+))~~ (11) If a person fails to supply the information as
14 required in subsection (8) of this section, the department must deny
15 the application.

16 ~~((+11+))~~ (12)(a) Taxpayers are only eligible for a credit under
17 this section based on:

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

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

25 (b) A credit is earned when ~~((qualifying purchases are made))~~ the
26 purchaser or the lessee takes receipt of the qualifying commercial
27 vehicle or the conversion is complete.

28 ~~((+12+))~~ (13) The definitions in RCW 82.04.4496 apply to this
29 section.

30 ~~((+13+))~~ (14) A credit earned during one calendar year may be
31 carried over to be credited against taxes incurred in the subsequent
32 calendar year, but may not be carried over a second year.

33 ~~((+14+))~~ (15)(a) Beginning November 25, 2015, and on the 25th of
34 February, May, August, and November of each year thereafter, the
35 department must notify the state treasurer of the amount of credits
36 taken under this section as reported on returns filed with the
37 department during the preceding calendar quarter ending on the last
38 day of December, March, June, and September, respectively.

39 (b) On the last day of March, June, September, and December of
40 each year, the state treasurer, based upon information provided by

1 the department, must transfer a sum equal to the dollar amount of the
2 credit provided under this section from the multimodal transportation
3 account to the general fund.

4 ~~((+15+))~~ (16) Credits may be earned under this section from
5 January 1, 2016, through January 1, 2021, except for credits for
6 leased vehicles, which may be earned from July 1, 2016, through
7 January 1, 2021.

8 ~~((+16+))~~ (17) Credits earned under this section may not be used
9 after January 1, 2022.

10 (18) This section expires January 1, 2022.

11 **Sec. 3.** 2016 c 29 s 3 (uncodified) is amended to read as
12 follows:

13 (1) This section and sections 411 and 412 of this act may be
14 known and cited as the clean fuel vehicle incentives act.

15 (2) The legislature finds that cleaner fuels reduce greenhouse
16 gas emissions in the transportation sector and lead to a more
17 sustainable environment. The legislature further finds that
18 alternative fuel vehicles cost more than comparable models of
19 conventional fuel vehicles, particularly in the commercial market.
20 The legislature further finds the higher cost of alternative fuel
21 vehicles incentivize companies to purchase comparable models of
22 conventional fuel vehicles. The legislature further finds that other
23 states provide various tax credits and exemptions. The legislature
24 further finds incentivizing businesses to purchase cleaner,
25 alternative fuel vehicles is a collaborative step toward meeting the
26 state's climate and environmental goals.

27 (3)(a) This subsection is the tax preference performance
28 statement for the clean alternative fuel vehicle tax credits provided
29 in ~~((RCW 82.04.4496 and 82.16.0496))~~ section 1, chapter . . . , Laws
30 of 2017 (section 1 of this act), sections 1 and 2, chapter 29, Laws
31 of 2016, and sections 411 and 412, chapter 44, Laws of 2015 3rd sp.
32 sess. The performance statement is only intended to be used for
33 subsequent evaluation of the tax preference. It is not intended to
34 create a private right of action by any party or be used to determine
35 eligibility for preferential tax treatment.

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

38 (c) It is the legislature's specific public policy objective to
39 provide a credit against business and occupation and public utility

1 taxes to increase sales of commercial vehicles that use clean
2 alternative fuel to ten percent of commercial vehicle sales by 2021.

3 (d) To measure the effectiveness of the credit provided in (~~this~~
4 ~~act~~) section 1, chapter . . ., Laws of 2017 (section 1 of this act),
5 sections 1 and 2, chapter 29, Laws of 2016, and sections 411 and 412,
6 chapter 44, Laws of 2015 3rd sp. sess. in achieving the specific
7 public policy objective described in (c) of this subsection, the
8 joint legislative audit and review committee must, at minimum,
9 evaluate the changes in the number of commercial vehicles that are
10 powered by clean alternative fuel that are registered in Washington
11 state.

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

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

19 NEW SECTION. **Sec. 4.** This act takes effect January 1, 2018.

Passed by the House March 1, 2017.
Passed by the Senate April 10, 2017.
Approved by the Governor April 25, 2017.
Filed in Office of Secretary of State April 25, 2017.

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