
HOUSE BILL 1503

State of Washington

67th Legislature

2021 Regular Session

By Representative Wylie

1 AN ACT Relating to establishing an alternative fuel vehicle
2 retail sales and use tax exemption for lower-income individuals;
3 adding a new section to chapter 82.08 RCW; adding a new section to
4 chapter 82.12 RCW; creating a new section; providing an effective
5 date; and providing expiration dates.

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

7 NEW SECTION. **Sec. 1.** (1) This section is the tax preference
8 performance statement for the tax preferences contained in sections 2
9 and 3 of this act. The performance statement is only intended to be
10 used for subsequent evaluation of the tax preference. It is not
11 intended to create a private right of action by any party or be used
12 to determine eligibility for preferential tax treatment.

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

16 (3) It is the legislature's specific public policy objective to
17 provide a financial incentive to individuals who do not earn above
18 certain federally determined income thresholds to purchase or lease
19 alternative fuel vehicles to increase the use of these vehicles in
20 Washington by those who otherwise might not be able to afford them.
21 It is the legislature's intent to establish an income-based tax

1 incentive program for alternative fuel vehicles by establishing a
2 retail sales and use tax exemption for alternative fuel vehicles to
3 reduce the price charged to customers who otherwise might not be able
4 to purchase or lease these vehicles.

5 (4) To measure the effectiveness of the tax preferences in
6 sections 2 and 3 of this act in achieving the public policy
7 objectives described in subsection (3) of this section, the joint
8 legislative audit and review committee must evaluate the number of
9 clean alternative fuel vehicles titled in the state.

10 (5) In order to obtain the data necessary to perform the review
11 in subsection (4) of this section, the department of licensing and
12 the department of revenue must provide data needed for the joint
13 legislative audit and review committee analysis. In addition to the
14 data source described under this subsection, the joint legislative
15 audit and review committee may use any other data it deems necessary.

16 (6) This section expires October 1, 2031.

17 NEW SECTION. **Sec. 2.** A new section is added to chapter 82.08
18 RCW to read as follows:

19 (1) Beginning October 1, 2021, with sales made or lease
20 agreements signed on or after the qualification period start date:

21 (a) When the purchaser or lessee meets the requirements of (c) of
22 this subsection, the tax levied by RCW 82.08.020 does not apply to
23 sales or leases of new or used passenger cars, light duty trucks, and
24 medium duty passenger vehicles that:

25 (i) (A) Are exclusively powered by a clean alternative fuel; or

26 (B) Are powered by an internal combustion engine in combination
27 with one or more electric motors that use energy stored in batteries;
28 and

29 (ii) (A) Have a vehicle selling price plus trade-in property of
30 like kind that does not exceed \$25,000 for purchased vehicles; or

31 (B) Have a fair market value that does not exceed \$25,000 for
32 leased vehicles.

33 (b) The exemption in this section is applicable to the total
34 amount eligible for taxation under this chapter of:

35 (i) The total amount of the vehicle's selling price, for sales
36 made; or

37 (ii) The total lease payments made plus any additional selling
38 price of the leased vehicle if the original lessee purchases the

1 leased vehicle before the qualification period end date, for lease
2 agreements signed.

3 (c) To be eligible for a tax exemption under this section, the
4 purchaser or lessee must be an individual, or an individual's spouse
5 if the purchaser or lessee files a federal joint income tax return,
6 who is eligible for and is granted the federal income tax credit
7 provided in Title 26 U.S.C. Sec. 32, based on the most recently due
8 federal income tax return.

9 (2) (a) (i) In order to claim the exemption under this section, a
10 qualifying person must submit an application to the department for an
11 exemption certificate. The application must include the information
12 necessary, as required by the department, to determine that a person
13 qualifies for the exemption under this section. The department must
14 issue exemption certificates to qualifying persons. The department
15 may assign a unique identification number to each exemption
16 certificate issued under this section.

17 (ii) A qualifying person claiming the exemption under this
18 section must present the seller with an exemption certificate in a
19 form and manner prescribed by the department.

20 (b) The seller must keep records necessary for the department to
21 verify vehicle eligibility under this section, including a copy of
22 the exemption certificate required under (a) of this subsection for
23 the seller's files. A person making exempt sales must also submit
24 itemized information to the department for all vehicles for which an
25 exemption is claimed that must include the following: Vehicle make;
26 vehicle model; model year; whether the vehicle has been sold or
27 leased; date of sale or start date of lease; length of lease; sales
28 price for purchased vehicles and fair market value at the inception
29 of the lease for leased vehicles; and the total amount qualifying for
30 the incentive claimed for each vehicle, in addition to the future
31 monthly amount to be claimed for each leased vehicle. This
32 information must be provided in a form and manner prescribed by the
33 department.

34 (c) A qualifying person who does not present the seller with an
35 exemption certificate and pays tax due under this chapter on an
36 eligible vehicle is eligible for a tax refund and may submit a refund
37 request, along with a copy of the purchase contract and the
38 information required under (a) (i) of this subsection, to the
39 department.

1 (3) (a) The department of licensing must maintain and publish a
2 list of all vehicle models qualifying for the tax exemptions under
3 this section or section 3 of this act until the expiration date of
4 this section, and is authorized to issue final rulings on vehicle
5 model qualification for these criteria. A seller is not responsible
6 for repayment of the tax exemption under this section and section 3
7 of this act for a vehicle if the department of licensing's published
8 list of qualifying vehicle models on the purchase date or the date
9 the lease agreement was signed includes the vehicle model and the
10 department of licensing subsequently removes the vehicle model from
11 the published list, and, if applicable, the vehicle meets the
12 qualifying criterion under subsection (1) (a) (ii) (B) of this section
13 and section 3(1) (a) (ii) (B) of this act.

14 (b) The department of revenue retains responsibility for
15 determining whether a vehicle meets the applicable qualifying
16 criterion under subsection (1) (a) (ii) (B) of this section and section
17 3(1) (a) (ii) (B) of this act.

18 (c) To increase public awareness of the exemption under this
19 section and section 3 of this act, at the time of any vehicle
20 registration under RCW 46.16A.040 and 46.16A.110, the department of
21 licensing shall provide:

22 (i) Information on the availability of the tax exemption under
23 this section and section 3 of this act for current and future vehicle
24 registrations;

25 (ii) Details related to how and when this tax exemption is
26 claimed; and

27 (iii) Information to assist individuals in determining whether
28 they are eligible for this tax exemption, including whether they meet
29 the income-based qualification criteria.

30 (4) On the last day of January, April, July, and October of each
31 year, the state treasurer, based upon information provided by the
32 department, must transfer from the electric vehicle account to the
33 general fund a sum equal to the dollar amount that would otherwise
34 have been deposited into the general fund during the prior calendar
35 quarter but for the exemption provided in this section. Information
36 provided by the department to the state treasurer must be based on
37 the best available data, except that the department may provide
38 estimates of taxes exempted under this section until such time as
39 retailers are able to report such exempted amounts on their tax
40 returns.

1 (5) By the last day of April 2022, and every six months
2 thereafter until this section expires, based on the best available
3 data, the department must report the following information to the
4 transportation committees of the legislature: The cumulative number
5 of vehicles that qualified for the exemption under this section and
6 section 3 of this act by month of purchase or lease start and vehicle
7 make and model; the dollar amount of all state retail sales and use
8 taxes exempted on or after the qualification period start date under
9 this section and section 3 of this act; and estimates of the future
10 costs of leased vehicles that qualified for the exemption under this
11 section and section 3 of this act.

12 (6) Neighborhood electric vehicles, as described in RCW
13 46.61.725, do not qualify for the tax exemption under this section.

14 (7) For the purposes of this section:

15 (a) "Clean alternative fuel" means natural gas, propane,
16 hydrogen, or electricity, when used as a fuel in a motor vehicle that
17 meets the California motor vehicle emission standards in Title 13 of
18 the California Code of Regulations, effective January 1, 2019, and
19 the rules of the Washington state department of ecology.

20 (b) "Fair market value" has the same meaning as "value of the
21 article used" in RCW 82.12.010.

22 (c) "New vehicle" has the same meaning as "new motor vehicle" in
23 RCW 46.04.358.

24 (d) "Qualification period end date" means October 1, 2028.

25 (e) "Qualification period start date" means October 1, 2021.

26 (f) "Used vehicle" has the same meaning as in RCW 46.04.660.

27 (8)(a) Sales of vehicles delivered to the buyer or leased
28 vehicles for which the lease agreement was signed after the
29 qualification period end date do not qualify for the exemption under
30 this section.

31 (b) All leased vehicles that qualified for the exemption under
32 this section before the qualification period end date must continue
33 to receive the exemption as described under subsection (1)(b) of this
34 section on any lease payments due through the remainder of the lease
35 before October 1, 2031.

36 (9) This section expires October 1, 2031.

37 NEW SECTION. **Sec. 3.** A new section is added to chapter 82.12
38 RCW to read as follows:

1 (1) Beginning October 1, 2021, beginning with sales made or lease
2 agreements signed on or after the qualification period start date:

3 (a) The provisions of this chapter do not apply, when the
4 requirements of (c) of this subsection are met, to the use of new or
5 used passenger cars, light duty trucks, and medium duty passenger
6 vehicles that:

7 (i) (A) Are exclusively powered by a clean alternative fuel; or

8 (B) Are powered by an internal combustion engine in combination
9 with one or more electric motors that use energy stored in batteries;
10 and

11 (ii) (A) Have a fair market value at the time use tax is imposed
12 that does not exceed \$25,000 for purchased vehicles; or

13 (B) Have a fair market value that does not exceed \$25,000 for
14 leased vehicles.

15 (b) (i) The exemption in this section is applicable to the total
16 amount of the vehicle's purchase price, for sales made; or

17 (ii) The total lease payments made plus any additional purchase
18 price of the leased vehicle if the original lessee purchases the
19 leased vehicle before the qualification period end date, for lease
20 agreements signed.

21 (c) To be eligible for a tax exemption under this section, the
22 purchaser or lessee must be an individual, or an individual's spouse
23 if the purchaser or lessee files a federal joint income tax return,
24 who is eligible for and is granted the federal income tax credit
25 provided in Title 26 U.S.C. Sec. 32, based on the most recently due
26 federal income tax return.

27 (2) (a) (i) In order to claim the exemption under this section, a
28 qualifying person must submit an application to the department for an
29 exemption certificate. The application must include the information
30 necessary, as required by the department, to determine that a person
31 qualifies for the exemption under this section. The department must
32 issue exemption certificates to qualifying persons. The department
33 may assign a unique identification number to each exemption
34 certificate issued under this section.

35 (ii) A qualifying person claiming the exemption under this
36 section must present the seller with an exemption certificate in a
37 form and manner prescribed by the department, except as provided in
38 (d) of this subsection.

39 (b) The seller must keep records necessary for the department to
40 verify eligibility under this section, including a copy of the

1 exemption certificate required under (a) of this subsection for the
2 seller's files, except as provided in (d) of this subsection.

3 (c) A person making exempt sales must also submit itemized
4 information to the department for all vehicles for which an exemption
5 is claimed that must include the following: Vehicle make; vehicle
6 model; model year; whether the vehicle has been sold or leased; date
7 of sale or start date of lease; length of lease; sales price for
8 purchased vehicles and fair market value at the inception of the
9 lease for leased vehicles; and the total amount qualifying for the
10 incentive claimed for each vehicle, in addition to the future monthly
11 amount to be claimed for each leased vehicle. This information must
12 be provided in a form and manner prescribed by the department.

13 (d)(i) (a)(ii) and (b) of this subsection apply only if the
14 seller or person claiming the exemption is a vehicle dealer, as
15 defined in RCW 46.70.011. When the seller is not a vehicle dealer, a
16 qualifying person claiming the exemption under this section must
17 provide the exemption certificate issued by the department under
18 (a)(i) of this subsection at the time of vehicle registration in a
19 form and manner prescribed by the department.

20 (ii) The department of licensing must establish a process for
21 granting the tax exemption under this section for use tax otherwise
22 collected at the time the ownership of a vehicle is transferred when
23 the vehicle qualifies for the use tax exemption under subsection
24 (1)(a) of this section and, when a person claiming the exemption
25 submits an exemption certificate under (d)(i) of this subsection to
26 the department, must provide any information required under (a), (b),
27 and (d)(i) of this subsection that it obtains as part of the vehicle
28 titling and registration process on at least a quarterly basis.

29 (e) A qualifying person who does not present an exemption
30 certificate at the time tax due under this chapter is imposed, and
31 who pays this tax on an eligible vehicle, is eligible for a tax
32 refund and may submit a refund request, along with a copy of the
33 purchase contract and the information required under (c) of this
34 subsection, to the department.

35 (3) On the last day of January, April, July, and October of each
36 year, the state treasurer, based upon information provided by the
37 department, must transfer from the electric vehicle account to the
38 general fund a sum equal to the dollar amount that would otherwise
39 have been deposited into the general fund during the prior calendar
40 quarter but for the exemption provided in this section. Information

1 provided by the department to the state treasurer must be based on
2 the best available data.

3 (4) Neighborhood electric vehicles, as described in RCW
4 46.61.725, do not qualify for the tax exemption under this section.

5 (5) (a) Vehicles purchased or leased vehicles for which the lease
6 agreement was signed after the qualification period end date do not
7 qualify for the exemption under this section.

8 (b) All leased vehicles that qualified for the exemption under
9 this section before the qualification period end date must continue
10 to receive the exemption as described under subsection (1) of this
11 section on any lease payments due through the remainder of the lease
12 before October 1, 2031.

13 (6) The definitions in section 2 of this act apply to this
14 section.

15 (7) This section expires October 1, 2031.

16 NEW SECTION. **Sec. 4.** This act takes effect October 1, 2021.

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