

Multiple Agency Fiscal Note Summary

Bill Number: 1030PSHB

Title: Providing incentives to reduce air pollution through the use of clean alternative fuel vehicles.

Estimated Cash Receipts

Agency Name	2001-03		2003-05		2005-07	
	GF-State	Total	GF-State	Total	GF-State	Total
Department of Revenue	(1,249,100)	(1,249,100)	(28,235,000)	(28,235,000)	(69,494,000)	(69,494,000)
Department of Licensing	0	(1,080,578)	0	(1,118,302)	0	(1,153,607)
Total:	(1,249,100)	(2,329,678)	(28,235,000)	(29,353,302)	(69,494,000)	(70,647,607)

Local Gov. Courts*						
Local Gov. Other**						
Local Gov. Total						

Estimated Expenditures

Agency Name	2001-03			2003-05			2005-07		
	FTEs	GF-State	Total	FTEs	GF-State	Total	FTEs	GF-State	Total
Department of Revenue	.3	39,400	39,400	.0	0	0	.0	0	0
Department of Licensing	.0	0	88,945	.0	0	0	.0	0	0
Washington State University	Fiscal note not available								
Department of Transportation	Fiscal note not available								
Department of Ecology	Fiscal note not available								
Total:	.3	39,400	128,345	.0	0	0	.0	0	0

Local Gov. Courts*									
Local Gov. Other**									
Local Gov. Total									

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Date Published:

Preliminary 2/16/2001

* See Office of the Administrator for the Courts judicial fiscal note

** See local government fiscal note

Department of Revenue Fiscal Note

Bill Number: 1030PSHB	Title: Providing incentives to reduce air pollution through the use of clean alternative fuel vehicles.	Agency: 140-Department of Revenue
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Part I: Estimates

☐ No Fiscal Impact

Estimated Cash Receipts to:

Fund	FY2002	FY2003	2001-03	2003-05	2005-07
General Fund-State 01-Taxes01-Retail Sales Tax	(260,000)	(975,000)	(1,235,000)	(27,920,000)	(68,720,000)
GF-STATE-State 01-Taxes05-Bus and Occup Tax	(2,000)	(12,100)	(14,100)	(315,000)	(774,000)
Total	(262,000)	(987,100)	(1,249,100)	(28,235,000)	(69,494,000)

Estimated Expenditures from:

	FY2002	FY2003	2001-03	2003-05	2005-07
FTE Staff Years	0.5		0.3		
Fund					
GF-STATE-State	39,400		39,400		
Total	39,400		39,400		

The cash receipts and expenditure estimates on this page represent the most likely fiscal impact. Factors impacting the precision of these estimates, and alternative ranges (if appropriate), are explained in Part II.

Check applicable boxes and follow corresponding instructions:

- ☒ If fiscal impact is greater than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete entire fiscal note form Parts I-V.
- ☐ If fiscal impact is less than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete this page only (Part I).
- ☐ Capital budget impact, complete Part IV.
- ☒ Requires new rule making, complete Part V.

Legislative Contact: Deborah Settles	Phone: 360-786-7132	Date: 02/13/2001
Agency Preparation: John Hansen	Phone: 570-6079	Date: 02/15/2001
Agency Approval: Don Taylor	Phone: 360-570-6083	Date: 02/15/2001
OFM Review: Tristan Wise	Phone: 360-902-0546	Date: 02/15/2001

PartII:NarrativeExplanation

II.A-BriefDescriptionOfWhatTheMeasureDoesThatHasFiscalImpact

Brieflydescribe,bysectionnumber,thesignificantprovisionsofthebill,andanyrelatedworkloadorpolicyassumptions,thathaverevenueor expenditureimpactontherespondingagency.

NOTE:thisfiscalnotereflectsaproposedsubstituteversionofthebillembodiedinH-1396.1/01.Thisanalysispertains toonlythosesectionsthataffecttheDepartmentofRevenue;Sections3-5,7-8,and12.

Sec.3Provides aB&Otax creditforbusiness purchases of clean alternative fuel vehicles if the vehicle is used exclusively for business operations. Vehicles less than 12,000lbs. are eligible for a credit equal to 25 percent of the cost of the vehicle, or \$5,000, whichever is less. Vehicles over 12,000lbs. are eligible for a credit equal to 25 percent of the cost of the vehicle, or \$20,000, whichever is less.

Sec.4Provides aB&Otax creditforbusinesses that provide financial assistance to school districts, transit agencies, and local governments if the vehicles are used for public transit. School buses are considered public transit for purposes of this legislation. This credit is capped at \$200,000 for an individual in any calendar year. Credits may be accrued and carried forward until it is used.

Sec.5Provides for aB&Otax creditforbusinesses that construct infrastructure for alternative fuel refueling sites. The limit for this credit is 50 percent of the costs incurred at facilities open to the public, not to exceed \$200,000 per year, and 25 percent of the cost of facilities not open to the public, the annual credit may not exceed \$100,000. An overall maximum credit per taxpayer of \$1 million per year is allowed. Credits may be accrued and carried forward until it is used.

Sec.7/8Provides an exemption from retail sales and use tax on clean alternative fuel vehicles.

Sec.12Provides for the Department of Revenue's participation in a study of the effectiveness of these tax incentives in improving air quality and increasing the use of clean alternative fuel vehicles.

II.B-Cash receipts Impact

Briefly describe and quantify the cash receipts impact of the legislation on the responding agency, identifying the cash receipts provisions by section number and when appropriate the detail of the revenue sources. Briefly describe the factual basis of the assumptions and the method by which the cash receipts impact is derived. Explain how workload assumption translates into estimates. Distinguish between one-time and ongoing functions.

ASSUMPTIONS/DATA SOURCES

This analysis assumes that the B&Otax credit provided in Sec.3 will only affect vehicles in the under 12,000lb. weight class; therefore, the \$5,000 limit criteria would be the allowable credit on each vehicle as all qualifying clean fuel vehicles are assumed to be over \$20,000.

Potential financial assistance provided for the purchase of clean alternative fuel vehicles in Sec.4 is unknown, and for purposes of this estimate is assumed to be zero.

Investment in infrastructure for construction of clean alternative fuel refueling facilities is unknown but is expected to be zero. All clean alternative fuel vehicles that meet the criteria established by this legislation are expected to use existing conventional refueling facilities.

It is assumed that by fiscal year 2007, national sales of clean alternative fuel vehicles will represent more than 6 percent of passenger vehicle and light truck sales, and Washington state's share of such sales will be 2 percent.

AUDIT ASSESSMENTS (Impact resulting from recent audit activity)

This bill is not the result of audit activity.

CURRENTLY REPORTING TAXPAYERS (Impact for taxpayers who are known or estimated to be currently paying the tax in question)

The credits against B&O tax and the exemption from retail sales and use tax would apply to currently reporting taxpayers.

At this time it is not apparent that any vehicles will be sold in the over 12,000 lb. class which would be eligible for the up to \$20,000 exemption. Thus, only vehicles under 12,000 pounds gross vehicle weight were considered for the B&O tax credit based on vehicle weight. Further, it is not known how many of eligible vehicles would be used exclusively for business purpose; thus, for this analysis it was assumed that only 5 percent of clean fuel vehicles would be able to take this exemption.

Section 4 of this bill would allow individual taxpayers to take B&O tax credits against taxes due on up to \$200,000 per year for monies provided as financial assistance to school districts, transit agencies, and local governments for the purchase of clean fuel vehicles. For purposes of this analysis the revenue impact is assumed to be zero. However, this provision would allow taxpayers to direct B&O tax on up to \$200,000 per year on a dollar-for-dollar basis for expenditures on clean-fuel vehicles for school districts, transit agencies, and local governments. Moreover, it appears that such expenditure by a taxpayer would be eligible for federal tax deductions. While the revenue impact of this provision is unknown, if 100 taxpayers fully utilized this credit the B&O tax impact would be \$20 million.

It was assumed that all clean fuel vehicles, with the exception of electric trolleys, would use existing refueling infrastructure and that there is no revenue impact from the B&O credit for building of refueling infrastructure for the specific fuel types specified in Sec. 5.

The primary revenue impact from this legislation is from the retail sales/use tax exemption provided for the purchase of any clean fuel vehicle. Although current sales of pure electric and hybrid gas/electric vehicles have been very low, recent announcements by domestic manufacturers indicate that the sales of such vehicles that qualify as clean fuel vehicles under this legislation will escalate very rapidly starting in fiscal year 2004 and beyond.

Ford has announced that two of their most popular selling SUV's will be equipped with what they refer to as a "low-tech" hybrid combining small electric motors with gas engines to provide up to a 30 percent increase in fuel efficiency. Chrysler has stated that their only SUV will be equipped with either a V-6, or V-8 engine in combination with electric motors for a 20 percent increase in fuel efficiency. And GM has announced their new mid-size platform, which will be used for coupes, sedans, minivans and sport wagons will have hybrid gas/electric engines. GM has also stated that their full-size pickup trucks will be given a gas/electric hybrid option as a means by which to more easily comply with federal fuel mileage requirements on their most popular selling trucks.

TAXPAYERS NOT CURRENTLY REPORTING (Although some taxpayers may not now be paying the tax in question, some of them will become aware of their liability in the future, as a result of normal enforcement activities or education programs by the Department. The impact for such taxpayers is based on the Department's studies of average tax compliance)

It is assumed that all taxpayers are reporting correctly.

TOTAL REVENUE IMPACT:

State Government (cash basis, \$000):

FY2002	- (\$262)
FY2003	- (987)
FY2004	- (10,861)
FY2005	- (17,374)
FY2006	-(26,060)
FY2007	-(43,434)

Local Government, if applicable (cash basis, \$000):

FY2002 - (\$70)
FY2003 - (285)
FY2004 - (3,135)
FY2005 - (5,016)
FY2006 - (7,524)
FY2007 - (12,540)

II.C-Expenditures

Briefly describe the agency expenditures necessary to implement this legislation (or savings resulting from this legislation), identifying by section number the provisions of the legislation that result in the expenditures (or savings). Briefly describe the factual basis of the assumptions and the method by which the expenditure impact is derived. Explain how workload assumption translates into cost estimates. Distinguish between one-time and ongoing functions.

The Department will incur costs of approximately \$39,400 in FY2002 to implement this bill. These costs include: 0.37 FTE at an ITAS4 level. Additional programming time will be necessary to create three new B&O credit codes and a sales tax deduction code as provided in this bill. One new rule at a cost of approximately \$9,700. Costs include staff time, printing, and postage.

Unless the Department receives an appropriation to cover the expenditure impact, the Department may not be able to fully implement this legislation.

Part III: Expenditure Detail

III.A-Expenditures By Object Or Purpose

	FY2002	FY2003	2001-03	2003-05	2005-07
FTE Staff Years	0.5		0.3		
A-	23,500		23,500		
B-	6,100		6,100		
E-	6,300		6,300		
J-	3,500		3,500		
Total:	39,400		39,400		

III.B-FTE Detail: List FTEs by classification and corresponding annual compensation. Totals need to agree with total FTEs in Part I and Part IIIA.

Job Classification	Salary	FY2002	FY2003	2001-03	2003-05	2005-07
INFOTECH APPS SPEC4	52,611	0.4		0.2		
TAX POLICY SPECIALIST3	58,071	0.1		0.1		
Total		0.5		0.3		

Part IV: Capital Budget Impact

None.

Part V: New Rule Making Required

Identify provisions of the measure that require the agency to adopt new administrative rules or repeal/revise existing rules.

The Department will add on a new rule to Chapter 458-20-WAC. Affected taxpayers include persons who buy clean alternative fuel vehicles, who provide financial assistance to school districts, etc. to buy clean alternative fuel vehicles, and persons who acquire or install alternative fuel and electric vehicle recharging equipment.

IndividualStateAgencyFiscalNote

BillNumber: 1030PSHB	Title: Providingincentivestoreduceairpollution throughtheuseofcleanalternativefuel vehicles.	Agency: 240-Departmentof Licensing
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PartI:Estimates

☐ NoFiscalImpact

EstimatedCashReceiptsto:

Fund	FY2002	FY2003	2001-03	2003-05	2005-07
MotorVehicleAccount-State 108-1-- ---	(536,299)	(544,279)	(1,080,578)	(1,118,302)	(1,153,607)
Total	\$(536,299)	\$(544,279)	\$(1,080,578)	\$(1,118,302)	\$(1,153,607)

EstimatedExpendituresfrom:

	FY2002	FY2003	2001-03	2003-05	2005-07
FTEStaffYears					
Fund					
MotorVehicleAccount-State 108-1	88,945		88,945		
Total	\$88,945		\$88,945		

Thecashreceiptsandexpenditureestimatesonthispagerepresentthemostlikelyfiscalimpact.Factorsimpactingtheprecisionoftheseestimates, andalternateranges(ifappropriate),areexplainedinPartII.

Checkapplicableboxesandfollowcorrespondinginstructions:

- ☒ Iffiscalimpactisgreaterthan\$50,000perfiscalyearinthecurrentbienniumorinsubsequentbiennia,completeentirefiscalnote formPartsI-V.
- ☐ Iffiscalimpactislessthan\$50,000perfiscalyearinthecurrentbienniumorinsubsequentbiennia,completethispageonly(PartI).
- ☐ Capitalbudgetimpact,completePartIV.
- ☐ Requiresnewrulemaking,completePartV.

LegislativeContact: DeborahSettles	Phone: 360-786-7132	Date: 02/13/2001
AgencyPreparation: SamKnutson	Phone: 360-902-3644	Date: 02/13/2001
AgencyApproval: LarryDzieza	Phone: 360-902-3633	Date: 02/14/2001
OFMReview: GarryAustin	Phone: 360-902-0564	Date: 02/14/2001

PartII:NarrativeExplanation

II.A-BriefDescriptionOfWhatTheMeasureDoesThatHasFiscalImpact

Brieflydescribe,bysectionnumber,thesignificantprovisionsofthebill,andanyrelatedworkloadorpolicyassumptions,thathaverevenueor expenditureimpactontherespondingagency.

II.B-CashreceiptsImpact

Brieflydescribeandquantifythecashreceiptsimpactofthelegislationontherespondingagency,identifyingthecashreceiptsprovisionsbysection numberandwhenappropriatehethedetailoftherevenuesources.Brieflydescribethefactualbasisoftheassumptionsandthethodbywhichthe cashreceiptsimpactisderived.Explainhowworkloadassumptionstranslateintoestimates.Distinguishbetweenonetimeandongoingfunctions.

SEEATTACHMENT

II.C-Expenditures

Brieflydescribetheagencyexpendituresnecessarytoimplementthislegislation(orsavingsresultingfromthislegislation),identifyingbysection numbertheprovisionsofthelegislationthathresultintheexpenditures(orsavings).Brieflydescribethefactualbasisoftheassumptionsandthe methodbywhichtheexpenditureimpactisderived.Explainhowworkloadassumptionstranslateintocostestimates.Distinguishbetweenonetime andongoingfunctions.

SEEATTACHMENT

PartIII:ExpenditureDetail

III.A-ExpendituresByObjectOrPurpose

	FY2002	FY2003	2001-03	2003-05	2005-07
FTEStaffYears					
A-Salaries&Wages					
B-EmployeeBenefits					
C-PersonalServContr	25,000		25,000		
E-GoodsandServices	63,945		63,945		
G-Travel					
J-CapitalOutlays					
M-InterAgencyFundTransfers					
N-Grants,BenefitsServices					
P-DebtService					
S-InteragencyReimburesement					
T-Intra-AgencyReimbursement					
Total:	\$88,945		\$88,945		

III.C-ExpendituresByProgram(optional)

Program	FY2002	FY2003	2001-03	2003-05	2005-07
BusinessandProfessions(700)					
DriverServices(600)					
InformationServices(200)	2,886		2,886		
Mgmt&SupportServices(100)	13,913		13,913		
VehicleServices(300)	72,146		72,146		
Total	\$88,945		\$88,945		

PartIV:CapitalBudgetImpact

PartV:NewRuleMakingRequired

Identifyprovisionsofthemeasurethatrequiretheagencytoadoptnewadministrativerulesorrepeal/reviseexistingrules.

Part II: Explanation

The bill seeks to improve air quality, reduce the threat of climate change and protect the public health and environment by encouraging the use of clean alternative fuel vehicles. The bill provides exemptions from the sales and use tax for the purchase or lease of a new vehicle meeting the definition of a "clean alternative fuel vehicle".

The incentives for using these "clean alternative fuel" vehicles are a 50 percent reduction in the state fuel tax rate on users of fuel containing 85 percent ethanol or users of fuel containing at least 20 percent biodiesel fuels. Users of propane, natural gas, and hydrogen will also have the cost of the annual license fee in lieu of fuel tax reduced by 50 percent.

II. A – Brief Description of What the Measure Does that Has Fiscal Impact

Sections 7 and 8 – Amends RCW 82.08 (Retail Sales Tax) and RCW 82.12. (Use Tax), adding new sections to each chapter. Taxes imposed will not apply to the sale or lease of a new motor vehicle that meets the definition of a "clean alternative fuel vehicle".

Section 10 - Incentives for using "clean alternative fuel vehicles" would include a 50 percent reduction in the state fuel tax rate on users of fuel containing 85 percent ethanol or 20 percent biodiesel fuel. Fuel taxes for biodiesel and 85 percent ethanol fuels are reduced from twenty-three cents per gallon to eleven and one-half cents per gallon.

Section 11 - Users of propane, natural gas, and hydrogen will have the cost of the annual license fee in lieu of fuel tax contained in RCW 82.38.075 reduced by 50 percent.

II. B – Cash Receipt Impact

By agreement with the Department of Revenue, the collection of use tax and sales tax has been incorporated in their fiscal note.

Currently, fuel with a minimum of 85 percent ethanol is not distributed in Washington – there are no retail outlets in the state. Therefore, no estimate of the timing or use of this fuel is included in this fiscal note.

According to the US Department of Energy, in their February 2000 "Department of Energy - Energy Resources Research and Development Portfolio FY 1999-2001" there is a 30 million gallon national capacity for the production of biodiesel fuel. The "market price [of biodiesel fuel] is substantially higher because of volume related marketing and distribution costs" (p. 88). This report states there are three producers of biodiesel fuel in the midwest United States, two on the East coast and one in South Carolina.

The National Biodiesel Board estimates that five million gallons of biodiesel were used in the United States in 2000. Based on Washington state vehicle population at two percent of the national total, an estimate of 100,000 gallons of biodiesel fuel consumption is used for this fiscal analysis. Revenue estimates for biodiesel fuels are based on eleven and one-half cents per gallon multiplied by the estimated 100,000 gallons consumed per year, and include growth rates approved by the Transportation Revenue Forecast Council.

The annual license revenue for nonpolluting vehicle (propane, natural gas, or hydrogen) fuels is reduced one-half by substituting eleven and one-half cents for twenty-three cents in the license revenue estimates. This calculation is used because no statistics exist for either the actual number or type of vehicles in Washington that utilize propane, natural gas, or hydrogen fuels. Revenue estimates are based on historic and projected revenue streams from the approved forecast by the Transportation Revenue Forecast Council.

Cash Receipts	FY 02	FY 03	01-03 Total	03-05 Total	05-07 Total
GF- State	-	-	-	-	-
GF- Fed	-	-	-	-	-
Motor Vehicle Fund	(536,299)	(544,279)	(1,080,577)	(1,118,301)	(1,153,607)
Total Revenue	(536,299)	(544,279)	(1,080,577)	(1,118,301)	(1,153,607)

II. C – Expenditures

The Department of Licensing estimates 3.23 staff months of contract application programmer time would be required to modify the existing information technology systems (the Vehicle Field System and Vehicles Headquarters System) to administer the tax collection for these special fuels. These systems would require modification to accommodate revised tax rates, penalties, and interest calculation. System modifications would be required to identify a “clean alternative fuel vehicle” at the time of vehicle registration to ensure exemption from state use tax. This bill would also require changes to the Management Support Services Division Refund System and tax rate tables to accommodate refunds of fuel taxes based on the new rate.

This bill would require modifications to tax return system screens and fee calculation logic on fuel tax collection systems. These systems are owned and managed by a private vendor. The vendor has estimated that the cost for these required system modifications would be approximately \$20,000.

The national Voice Interactive Processing System (VIPS) will require reprogramming to accommodate the use of new fuel types. This software is sole source maintained by the vendor. By contract specifications, the minimum charge for system modification is \$5,000.

This bill would require revision of existing forms and accompanying disbursement schedules. The current supply of forms would be extinguished prior to the effective date of this bill (August 1, 2001). Thus, an order for a one-month supply of the existing forms and schedules would be required to cover the July 2001 tax reporting period.

Costs for printing and postage for notification of licensees is included.

In addition to the direct costs associated with this decision package DOL included funding to cover indirect costs. Based on the cost allocation model adopted by DOL in 1999 (with funding realignment approved in the 2000 Supplemental budget) administrative support is provided at a rate of 11 percent of the new direct program costs proposed in this decision package. This 11 percent is split 7 percent for Management and Support Services functions and 4 percent for Information Services functions. These costs are allocated in object E to cover handling and processing of vendor payments; equipment delivery, storage and set-up; technical assistance to employees; desk-top support; contract administration; personnel related costs; and, other indirect support services functions.

Part III: Expenditure Detail

III. A – Expenditures by Object or Purpose

	FY 02	FY 03	01-03 Total	03-05 Total	05-07 Total
FTE Staff Years					
Salaries and Wages					
Employee Benefits					
Personal Service Contracts	25,000		25,000		
Goods and Services	63,945		63,945		
Travel					
Equipment					
Inter Agency Fund Transfers					
Grants and Subsidies					
Debt Service					
Interagency Reimbursement					
Intra-Agency Reimbursement					
Other					
Total	88,945		88,945		

III. A (1) – Detail of Expenditures by Sub-Object for Goods & Services

Object E Breakdown:	FY 02	FY 03	01-03 Total	03-05 Total	05-07 Total
Postage	119		119		
Other Goods & Svcs	7,936		7,936		
DP Cont Programmers	55,890		55,890		
Total Goods & Svcs	63,945		63,945		

III. A (2) – Detail of Expenditures by Fund

Additional information about assumptions and impacts is available directly from the Department of Licensing at 902-3633.

III. B – FTE Detail

EXPENDITURE DETAIL – STAFF

III. B – Expenditures by Program (optional)

Program	FY 02	FY 03	01-03 Total	03-05 Total	05-07 Total
100 - Mgmt & Support Services	13,913		13,913		
200 - Information Services	2,886		2,886		
300 - Vehicle Services	72,146		72,146		
600 - Driver Services					
700 - Business & Professions					
Total	88,945	-	88,945	-	-

Part IV: Capital Budget Impact

None

Part V: New Rule Making Required

None