

Multiple Agency Fiscal Note Summary

Bill Number: 2340 HB	Title: Alternative fuel vehicle tax
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Estimated Cash Receipts

Agency Name	2017-19		2019-21		2021-23	
	GF- State	Total	GF- State	Total	GF- State	Total
Office of State Treasurer	1,538,000	0	1,294,000	0	324,000	0
Department of Revenue	(1,538,000)	(1,611,000)	(1,294,000)	(1,356,000)	(324,000)	(340,000)
Department of Licensing	Non-zero but indeterminate cost and/or savings. Please see discussion.					
Total \$	0	(1,611,000)	0	(1,356,000)	0	(340,000)

Estimated Expenditures

Agency Name	2017-19			2019-21			2021-23		
	FTEs	GF-State	Total	FTEs	GF-State	Total	FTEs	GF-State	Total
Office of State Treasurer	.0	0	0	.0	0	0	.0	0	0
Department of Revenue	.0	0	0	.0	0	0	.0	0	0
Department of Licensing	.0	0	0	.0	0	0	.0	0	0
Total	0.0	\$0	\$0	0.0	\$0	\$0	0.0	\$0	\$0

Estimated Capital Budget Impact

NONE

Prepared by: Kathy Cody, OFM	Phone: (360) 902-9822	Date Published: Final 2/ 1/2018
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* See Office of the Administrator for the Courts judicial fiscal note

** See local government fiscal note

FNPID: 50706

FNS029 Multi Agency rollup

Individual State Agency Fiscal Note

Bill Number: 2340 HB	Title: Alternative fuel vehicle tax	Agency: 090-Office of State Treasurer
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Part I: Estimates

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No Fiscal Impact

Estimated Cash Receipts to:

ACCOUNT	FY 2018	FY 2019	2017-19	2019-21	2021-23
General Fund-State 001-1		1,538,000	1,538,000	1,294,000	324,000
Multimodal Transportation Account-State 218-1		(1,538,000)	(1,538,000)	(1,294,000)	(324,000)
Total \$					

Estimated Expenditures from:

NONE

Estimated Capital Budget Impact:

NONE

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

Check applicable boxes and follow corresponding instructions:

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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.

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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: Jessica Harrell	Phone: 360-786-7349	Date: 01/05/2018
Agency Preparation: Dan Mason	Phone: 360-902-9090	Date: 01/12/2018
Agency Approval: Dan Mason	Phone: 360-902-9090	Date: 01/12/2018
OFM Review: Ramona Nabors	Phone: (360) 902-0547	Date: 01/12/2018

Part II: Narrative Explanation

II. A - Brief Description Of What The Measure Does That Has Fiscal Impact

Briefly describe by section number, the significant provisions of the bill, and any related workload or policy assumptions, that have revenue or expenditure impact on the responding agency.

HB 2340 relates to the alternative fuel vehicles sales and use tax exemption, increasing the cumulative number of qualifying vehicles from 7,500 to 10,000. This affects the multimodal transportation account transfer to the general fund.

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 assumptions translate into estimates. Distinguish between one time and ongoing functions.

Increasing the cumulative number of qualifying vehicles, in turn, increases the estimated transfer from the multimodal transportation account to the general fund under section 1(5). The department of revenue provided the estimates for this fiscal note.

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 assumptions translate into cost estimates. Distinguish between one time and ongoing functions.

Part III: Expenditure Detail

III. A - Expenditures by Object Or Purpose

NONE

Part IV: Capital Budget Impact

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.

Department of Revenue Fiscal Note

Bill Number: 2340 HB	Title: Alternative fuel vehicle tax	Agency: 140-Department of Revenue
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Part I: Estimates

☐ No Fiscal Impact

Estimated Cash Receipts to:

Account	FY 2018	FY 2019	2017-19	2019-21	2021-23
GF-STATE-State 01 - Taxes 01 - Retail Sales Tax		(1,538,000)	(1,538,000)	(1,294,000)	(324,000)
Multimodal Transportation Account-State 01 - Taxes 01 - Retail Sales Tax		(71,000)	(71,000)	(60,000)	(15,000)
Performance Audits of Government Account-State 01 - Taxes 01 - Retail Sales Tax		(2,000)	(2,000)	(2,000)	(1,000)
Total \$		(1,611,000)	(1,611,000)	(1,356,000)	(340,000)

Estimated Expenditures from:

NONE

Estimated Capital Budget Impact:

NONE

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

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- ☐ Capital budget impact, complete Part IV.
- ☐ Requires new rule making, complete Part V.

Legislative Contact: Jessica Harrell	Phone: 360-786-7349	Date: 01/05/2018
Agency Preparation: Marianne McIntosh	Phone: 360-534-1505	Date: 01/16/2018
Agency Approval: Don Gutmann	Phone: 360-534-1510	Date: 01/16/2018
OFM Review: Kathy Cody	Phone: (360) 902-9822	Date: 01/16/2018

Request # 2340-1-2

Part II: Narrative Explanation

II. A - Brief Description Of What The Measure Does That Has Fiscal Impact

Briefly describe, by section number, the significant provisions of the bill, and any related workload or policy assumptions, that have revenue or expenditure impact on the responding agency.

Note: This fiscal note reflects language in HB 2340, 2018 Legislative Session.

CURRENT LAW:

RCW 82.08.809 (and RCW 82.12.809, which is not included in HB 2340) provide a sales and use tax exemption for sales of new passenger cars, light duty trucks, and medium duty passenger vehicles which (a) are exclusively powered by a clean alternative fuel or (b) use at least one method of propulsion that is capable of being recharged from an external source of electricity and propelling a vehicle at least thirty miles using only battery power.

For vehicle purchases made or leases signed on or after July 1, 2016, a vehicle is not exempt from use tax if, at the time the tax is imposed, the vehicle's lowest manufacturer's suggested retail price for the base model is more than \$42,500, as determined by the Department of Licensing. The amount of the exemption for vehicles purchased or leased after July 1, 2016, applies only to the first \$32,000 of the vehicle's purchase or lease price.

For vehicles purchased or leased after July 15, 2015, but before July 1, 2016, a vehicle is not exempt from use tax if, at the time the tax is imposed, the fair market value of the vehicle exceeds \$35,000 of a vehicle's selling price or the total lease payments made plus the selling price of the leased vehicle if the original lessee purchases the leased vehicle.

For vehicles leased prior to July 1, 2015, lease payments are exempt from use tax regardless of the vehicles' fair market value at the inception of the lease.

The exemption expires when the Department of Licensing determines that the cumulative number of qualified vehicles titled in the state reaches 7,500. The exemption expires after the last day of the calendar month immediately following the month the Department of Licensing notifies the Department of Revenue (Department) that this vehicle count has been reached. The Department must provide notice on its website of the expiration of the exemption. All leased vehicles that qualified for the exemption before the expiration continue to be exempt from sales tax through the remainder of the lease up to the \$32,000 maximum amount.

PROPOSAL:

-This proposal increases from 7,500 to 10,000 the cumulative number of qualified vehicles titled in the state.

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 assumptions translate into estimates. Distinguish between one time and ongoing functions.

ASSUMPTIONS

- The bill takes effect 90 days after final adjournment of the session in which it is enacted.
- Qualified vehicle sales will grow by an average of 5 percent per year.
- Under current law, the vehicle cap will be reached and the exemption will expire on June 30, 2018.
- Average lease term is 36 months. To adjust for leases signed over the course of a fiscal year, sales tax is allocated over four fiscal years with 6 months of payments reflected in the first and fourth year and 12 months of payments reflected in the second and third year.
- Under proposed bill, new vehicle cap will be reached and the exemption will expire on February 28, 2019.

DATA SOURCES

- Washington State Department of Licensing provided vehicle counts
- Department of Revenue excise tax returns

REVENUE ESTIMATES

This bill decreases state revenues by an estimated \$1,611,000 in the 12 months of impacted collections in Fiscal Year 2019, and by \$678,000 in Fiscal Year 2020.

TOTAL REVENUE IMPACT:

State Government (cash basis, \$000):

FY 2018 -	\$ 0
FY 2019 -	(\$ 1,611)
FY 2020 -	(\$ 678)
FY 2021 -	(\$ 678)
FY 2022 -	(\$ 340)
FY 2023 -	\$ 0

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

FY 2018 -	\$ 0
FY 2019 -	(\$ 669)
FY 2020 -	(\$ 282)
FY 2021 -	(\$ 282)
FY 2022 -	(\$ 141)
FY 2023 -	\$ 0

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 assumptions translate into cost estimates. Distinguish between one time and ongoing functions.

The Department will not incur any costs with the implementation of this legislation.

Part III: Expenditure Detail

III. A - Expenditures by Object Or Purpose

NONE

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.

No rule-making required.

Individual State Agency Fiscal Note

Bill Number: 2340 HB	Title: Alternative fuel vehicle tax	Agency: 240-Department of Licensing
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Part I: Estimates

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No Fiscal Impact

Estimated Cash Receipts to:

Non-zero but indeterminate cost. Please see discussion.

Estimated Expenditures from:

NONE

Estimated Capital Budget Impact:

NONE

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

Check applicable boxes and follow corresponding instructions:

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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.

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☐

Capital budget impact, complete Part IV.

☐

Requires new rule making, complete Part V.

Legislative Contact: Jessica Harrell	Phone: 360-786-7349	Date: 01/05/2018
Agency Preparation: Ellie McMillan	Phone: 360-902-3642	Date: 01/29/2018
Agency Approval: Dan Weeks	Phone: (360) 902-0147	Date: 01/29/2018
OFM Review: Veronica Jarvis	Phone: (360) 902-0649	Date: 01/29/2018

Part II: Narrative Explanation

II. A - Brief Description Of What The Measure Does That Has Fiscal Impact

Briefly describe by section number, the significant provisions of the bill, and any related workload or policy assumptions, that have revenue or expenditure impact on the responding agency.

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 assumptions translate into estimates. Distinguish between one time and ongoing functions.

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 assumptions translate into cost estimates. Distinguish between one time and ongoing functions.

Part III: Expenditure Detail

III. A - Expenditures by Object Or Purpose

NONE

Part IV: Capital Budget Impact

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.

Individual State Agency Fiscal Note

Agency 240 – Department of Licensing

Bill Number: 2340 HB

Bill Title: Tax exemption for alternative fuel vehicles

Part 1: Estimates

☐ No Fiscal Impact

Estimated Cash Receipts

Non-zero but indeterminate cash receipts. Please see discussion

Estimated Expenditures:

	FY 18	FY 19	17-19 Total	19-21 Total	21-23 Total
FTE Staff Years	-	-	-	-	-

Account Name	Account	FY 18	FY 19	17-19 Total	19-21 Total	21-23 Total
Account Totals		-	-	-	-	-

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

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- ☐ If fiscal impact is **greater than \$50,000** per fiscal year in the current biennium or in subsequent biennia, complete entire fiscal note form
- ☐ Capital budget impact, complete Part IV
- ☐ Requires new rule making, complete Part V

Legislative Request: Jessica Harrell	Phone: 360-786-7349	Date: 1/29/18
Agency Preparation: Ellie McMillan	Phone: 360-902-3642	Date: 1/29/18
Agency Approval: Diamatris Winston/ Brad Benfield	Phone: 360-902-3644	Date: 1/29/18

Request #	2
Bill #	HB 2340

Part 2 – Explanation

This bill extends the sales and use tax exemption for qualifying alternative fuel vehicles.

2.A – Brief Description on what the measure does and how it has a fiscal impact

Section 1 (7) (b) amends Chapter 82.08.809 RCW to extend the sales and use tax exemption for certain alternative fuel vehicles from 7,500 vehicles to 10,000 vehicles.

This bill increases the number of qualifying vehicles exempt from sales and use tax under state law, and would likely impact electric vehicle registration renewal fees collected by Department of Licensing under Chapter 46.17.323 RCW. Other work such as updating information on DOL's website, and communications with Vehicle Licensing Offices will be conducted within the normal scope of day to day work.

This bill is effective 90 days past Sine Die.

2.B - Cash Receipt Impact

Indeterminate.

Sec 1. Amends RCW 82.08.809 to extend the sales and use tax exemption for alternative fuel vehicles from 7,500 vehicles to 10,000. This revenue will be 'collected' for DOR by DOL, but it is pass-through only. Cash receipts impact would be captured by DOR.

Extending the cap to 10,000 vehicles would likely help increase sales of electric and plug-in-hybrid vehicles (EV and PHEV) that upon registration renewals would be subject to the \$150 EV fee. The increased \$150 electric fee revenue would be positive but indeterminate as to when it will be realized, as it is not known how many of these vehicles might be purchased due to the increased cap.

The Research and Analysis Office (RAO) in DOL has collected monthly historical data on vehicles that meet the criteria for the Alternative Fueled Vehicle tax exemption since July 2016. The impact on sales of qualifying vehicles began in August 2016 and has averaged 260 per month through December 2017. It is anticipated that the current cap of 7,500 vehicles would be reached around May 2018 and the exemptions are slated to expire June 30, 2019. If an additional 2,500 EV and PHEV were purchased due to an increased cap with a 95 percent vehicle retention rate, the increase in the EV and PHEV registration renewal fee would be around \$356,000 per year. The indeterminate factor is around how many EV and PHEV vehicles will still be sold without the sales and use tax exemption being available.

2.C – Expenditures

None.

Part 3 – Expenditure Detail

3.A – Expenditures by Object or Purpose

None.

3.A.1 – Detail of Expenditures by Sub-Object (Goods and Services Only)

None.

3.B – FTE Detail

None.

3.C – Expenditures by Program (Optional)

None.

Part 4 – Capital Budget Impact

None.

Part 5 – New Rule Making Required

None.