

Multiple Agency Fiscal Note Summary

Bill Number: 2077 HB	Title: Establishing a tax on certain business activities related to surpluses generated under the zero-emission vehicle program
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Estimated Cash Receipts

Agency Name	2025-27			2027-29			2029-31		
	GF-State	NGF-Outlook	Total	GF-State	NGF-Outlook	Total	GF-State	NGF-Outlook	Total
Office of State Treasurer	Non-zero but indeterminate cost and/or savings. Please see discussion.								
Department of Revenue	54,500,000	54,500,000	77,900,000	0	0	202,900,000	0	0	194,600,000
Total \$	54,500,000	54,500,000	77,900,000	0	0	202,900,000	0	0	194,600,000

Estimated Operating Expenditures

Agency Name	2025-27				2027-29				2029-31			
	FTEs	GF-State	NGF-Outlook	Total	FTEs	GF-State	NGF-Outlook	Total	FTEs	GF-State	NGF-Outlook	Total
Office of State Treasurer	.0	0	0	0	.0	0	0	0	.0	0	0	0
Department of Commerce	.0	0	0	0	.0	0	0	0	.0	0	0	0
Department of Revenue	3.8	1,336,200	1,336,200	1,336,200	1.7	471,600	471,600	471,600	1.6	459,800	459,800	459,800
Department of Ecology	.6	148,766	148,766	148,766	.6	148,766	148,766	148,766	.6	148,766	148,766	148,766
Total \$	4.4	1,484,966	1,484,966	1,484,966	2.3	620,366	620,366	620,366	2.2	608,566	608,566	608,566

Estimated Capital Budget Expenditures

Agency Name	2025-27			2027-29			2029-31		
	FTEs	Bonds	Total	FTEs	Bonds	Total	FTEs	Bonds	Total
Office of State Treasurer	.0	0	0	.0	0	0	.0	0	0
Department of Commerce	.0	0	0	.0	0	0	.0	0	0
Department of Revenue	.0	0	0	.0	0	0	.0	0	0
Department of Ecology	.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 Breakout

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Prepared by: Megan Tudor, OFM	Phone: (360) 890-1722	Date Published: Final 4/18/2025
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Individual State Agency Fiscal Note

Bill Number: 2077 HB	Title: Establishing a tax on certain business activities related to surpluses generated under the zero-emission vehicle program	Agency: 090-Office of State Treasurer
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Part I: Estimates

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No Fiscal Impact

Estimated Cash Receipts to:

Non-zero but indeterminate cost and/or savings. Please see discussion.

Estimated Operating 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:

☐

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: Tracey Taylor	Phone: 360-786-7152	Date: 04/12/2025
Agency Preparation: Dan Mason	Phone: (360) 902-8990	Date: 04/14/2025
Agency Approval: Dan Mason	Phone: (360) 902-8990	Date: 04/14/2025
OFM Review: Megan Tudor	Phone: (360) 890-1722	Date: 04/15/2025

Part II: Narrative Explanation

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

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

HB 2077 establishes a tax on certain business activities related to surpluses generated under the zero-emission vehicle program. Proceeds from the tax are deposited into the general fund, carbon emissions reduction account, and electric vehicle incentive account.

There will be some de-minimis work for OST which can be completed within current practices and resources.

II. B - Cash receipts Impact

Cash receipts impact of the legislation on the responding agency with the cash receipts provisions identified by section number and when appropriate, the detail of the revenue sources. Description of the factual basis of the assumptions and the method by which the cash receipts impact is derived. Explanation of how workload assumptions translate into estimates. Distinguished between one time and ongoing functions.

Under section 4(5), the proceeds from the tax imposed must be deposited as follows: (a) 30 percent to the electric vehicle incentive account (b)(i) until June 30, 2027, 70 percent to the state general fund; and (ii) beginning July 1, 2027, 70 percent to the carbon emissions reduction account.

Under RCW 43.84.092(4), the general fund, carbon emissions reduction account, and electric vehicle incentive account earnings from investments are credited to the general fund. Projected cash flows are currently unavailable; therefore, estimated earnings from investments are indeterminable.

There will be an impact on the debt service limitation calculation. Proceeds deposited into the general fund and changes to the earnings credited to the general fund impacts, by an equal amount, general state revenues.

II. C - Expenditures

Agency expenditures necessary to implement this legislation (or savings resulting from this legislation), with the provisions of the legislation that result in the expenditures (or savings) identified by section number. Description of the factual basis of the assumptions and the method by which the expenditure impact is derived. Explanation of how workload assumptions translate into cost estimates. Distinguished between one time and ongoing functions.

Part III: Expenditure Detail

III. A - Operating Budget Expenditures

NONE

III. B - Expenditures by Object Or Purpose

NONE

III. C - Operating FTE Detail: FTEs listed by classification and corresponding annual compensation. Totals agree with total FTEs in Part I and Part IIIA.

NONE

III. D - Expenditures By Program (optional)

NONE

Part IV: Capital Budget Impact

IV. A - Capital Budget Expenditures

NONE

IV. B - Expenditures by Object Or Purpose

NONE

IV. C - Capital Budget Breakout

Acquisition and construction costs not reflected elsewhere on the fiscal note and description of potential financing methods.

NONE

IV. D - Capital FTE Detail: *FTEs listed by classification and corresponding annual compensation. Totals agree with total FTEs in Part IVB.*

NONE

Part V: New Rule Making Required

Provisions of the bill that require the agency to adopt new administrative rules or repeal/revise existing rules.

Individual State Agency Fiscal Note

Bill Number: 2077 HB	Title: Establishing a tax on certain business activities related to surpluses generated under the zero-emission vehicle program	Agency: 103-Department of Commerce
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Part I: Estimates

☒ **No Fiscal Impact**

Estimated Cash Receipts to:

NONE

Estimated Operating 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:

- ☐ 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: Tracey Taylor	Phone: 360-786-7152	Date: 04/12/2025
Agency Preparation: Joseph Piper	Phone: 360-725-3042	Date: 04/15/2025
Agency Approval: Joseph Piper	Phone: 360-725-3042	Date: 04/15/2025
OFM Review: Val Terre	Phone: (360) 280-3073	Date: 04/16/2025

Part II: Narrative Explanation

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

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

The Department of Commerce (Department) does not execute or implement the activities stated in this bill. Therefore, there is no fiscal impact on the Department.

II. B - Cash receipts Impact

Cash receipts impact of the legislation on the responding agency with the cash receipts provisions identified by section number and when appropriate, the detail of the revenue sources. Description of the factual basis of the assumptions and the method by which the cash receipts impact is derived. Explanation of how workload assumptions translate into estimates. Distinguished between one time and ongoing functions.

None

II. C - Expenditures

Agency expenditures necessary to implement this legislation (or savings resulting from this legislation), with the provisions of the legislation that result in the expenditures (or savings) identified by section number. Description of the factual basis of the assumptions and the method by which the expenditure impact is derived. Explanation of how workload assumptions translate into cost estimates. Distinguished between one time and ongoing functions.

The Department of Commerce (Department) does not execute or implement the activities stated in this bill. Therefore, there is no fiscal impact on the Department.

Part III: Expenditure Detail

III. A - Operating Budget Expenditures

NONE

III. B - Expenditures by Object Or Purpose

NONE

III. C - Operating FTE Detail: FTEs listed by classification and corresponding annual compensation. Totals agree with total FTEs in Part I and Part IIIA.

NONE

III. D - Expenditures By Program (optional)

NONE

Part IV: Capital Budget Impact

IV. A - Capital Budget Expenditures

NONE

IV. B - Expenditures by Object Or Purpose

NONE

IV. C - Capital Budget Breakout

Acquisition and construction costs not reflected elsewhere on the fiscal note and description of potential financing methods.

NONE

IV. D - Capital FTE Detail: *FTEs listed by classification and corresponding annual compensation. Totals agree with total FTEs in Part IVB.*

NONE

Part V: New Rule Making Required

Provisions of the bill that require the agency to adopt new administrative rules or repeal/revise existing rules.

Department of Revenue Fiscal Note

Bill Number: 2077 HB	Title: Establishing a tax on certain business activities related to surpluses generated under the zero-emission vehicle program	Agency: 140-Department of Revenue
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Part I: Estimates

☐

No Fiscal Impact

Estimated Cash Receipts to:

Account	FY 2026	FY 2027	2025-27	2027-29	2029-31
GF-STATE-State 00 - 00 -		54,500,000	54,500,000		
Carbon Emissions Reduction Account-State 00 - 00 -				142,000,000	136,300,000
Electric Vehicle Incentive Account-State 00 - 00 -		23,400,000	23,400,000	60,900,000	58,300,000
Total \$		77,900,000	77,900,000	202,900,000	194,600,000

Estimated Expenditures from:

	FY 2026	FY 2027	2025-27	2027-29	2029-31
FTE Staff Years	4.9	2.8	3.8	1.7	1.6
Account					
GF-STATE-State 001-1	925,200	411,000	1,336,200	471,600	459,800
Total \$	925,200	411,000	1,336,200	471,600	459,800

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:

☒

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: Tracey Taylor	Phone: (360) 786-7152	Date: 04/12/2025
Agency Preparation: Sara del Moral	Phone: (360) 534-1525	Date: 04/15/2025
Agency Approval: Marianne McIntosh	Phone: (360) 534-1505	Date: 04/15/2025
OFM Review: Megan Tudor	Phone: (360) 890-1722	Date: 04/15/2025

Request # 2077-1-1

Part II: Narrative Explanation

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

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

CURRENT LAW:

The Zero Emission Vehicle (ZEV) program is a collaboration among states adopting California's ZEV standards under the federal Clean Air Act. Washington and other states have committed to implementing aligned ZEV regulations as program partners. The program aims for participating states to achieve 100% zero-emission vehicle sales by 2035.

A ZEV is a vehicle producing no exhaust emissions from an onboard power source. Examples include battery electric vehicles and hydrogen fuel cell electric vehicles.

In 2020, new legislation directed the Department of Ecology (Ecology) to adopt California's vehicle emission standards, including requirements for zero emission vehicles.

Starting with the 2025 model year, Washington's ZEV standards require a certain percentage of new vehicles sold to produce no emissions. Additionally, manufacturers must sell an increasing percentage of zero-emission trucks beginning with this model year.

To track compliance, each automaker must report ZEV sales in Washington to Ecology. Based on the reported information, manufacturers earn credits based on the types and number of ZEVs reported.

Manufacturers must earn or purchase a certain number of credits, proportional to the number of vehicles sold. They apply these credits toward annual compliance obligations.

Manufacturers earning excess credits may:

- Bank them for future years.
- Sell them to other manufacturers.
- Apply them in a different state.

When a manufacturer applies its credits in a different state, this activity is called 'pooling.'

The business and occupation (B&O) tax applies to the value of products, gross proceeds of sale, or gross income of each taxpayer. A taxpayer may not deduct expenses. Manufacturers selling credits pay B&O tax on income from these sales.

PROPOSAL:

This bill imposes a new excise tax on the pooling, banking, and sale of surplus ZEV credits.

For a ZEV credit sold to another manufacturer, the tax is equal to the credit sales price multiplied by 2%.

For banked credits, the tax is imposed beginning with model year 2024 and applies to both:

- Credits banked after the effective date.
- Credits banked before the effective date that continue to be banked.

The tax rate for banked credits is 10% of the average ZEV credit price for each model year the ZEV credit is banked.

For credits pooled after the effective date of this bill, the tax is first imposed for model year 2024. The tax rate depends on the model year and the manufacturer's ZEV delivery rate in Washington compared to other states with similar ZEV

programs:

- For model year 2024, the tax is equal to the average ZEV credit price multiplied by 10%.
- Beginning with model year 2025:
 - If a manufacturer reports delivering zero-emission vehicles in Washington at a rate equal to or greater than their average rate in other similar states, the tax is equal to the average ZEV credit price multiplied by 10%.
 - If a manufacturer reports delivering zero-emission vehicles in Washington at a rate less than their average rate in other similar states, the tax is equal to the average ZEV credit price multiplied by 50%.

The bill establishes a tax exemption for manufacturers that bank or sell credits associated with a total of less than 25,000 zero-emission vehicles or qualifying plug-in hybrid zero-emission vehicles for a model year. Manufacturers exceeding this threshold must pay the tax on each credit banked or sold for that model year.

The exemption does not apply to pooled ZEV credits.

The new tax preference performance provisions do not apply to this bill (see section 7).

By October 31 each year, beginning in 2025 for model year 2024:

- Manufacturers must report to Ecology, for the prior model year, the number of credits generated, banked and sold.
- Ecology must share this information with the department.
- Manufacturers must report the ZEV credit sale price for each transaction to the department.

Annually, the department must calculate the average credit sales price after November 1, starting in 2026. The department must notify manufacturers of their tax liability by January 31. Manufacturers must pay the tax within 30 days of notification.

When the department first calculates the average credit sales price and notifies manufacturers, it must do so for both model years 2024 and 2025. Beginning in 2027, the department will calculate and notify only for the most recent model year.

This bill deposits the ZEV credit taxes as follows:

- 70% to the General Fund until June 30, 2027.
- 70% to the Carbon Emissions Reduction Account beginning July 1, 2027.
- 30% to the Electric Vehicle Incentive Account.

EFFECTIVE DATE:

This bill contains an emergency clause and takes effect immediately upon the governor's approval. However, due to the time it will take to program this bill's changes, the department cannot implement the bill until April 1, 2026.

II. B - Cash receipts Impact

Cash receipts impact of the legislation on the responding agency with the cash receipts provisions identified by section number and when appropriate, the detail of the revenue sources. Description of the factual basis of the assumptions and the method by which the cash receipts impact is derived. Explanation of how workload assumptions translate into estimates. Distinguished between one time and ongoing functions.

ASSUMPTIONS:

- The department will implement this bill by April 1, 2026, and invoice model years 2024 and 2025 in January 2027. The ZEV sales targets were lower for model years 2024 and 2025 than in model year 2026.
- The NEW source is the ZEV Credit Excise tax.
- The value of an ACCII credit is \$6,000 for model year 2026.
- The annual decline in banked credits and the value of an ACCII credit reflects Ecology's March 2025 forecast for the number of banked credits.
- Manufacturers do not pool any credits.

DATA SOURCES:

- California Air Resources Board, ZEV-CRDTS platform
- Department of Commerce, Vehicle Population Forecast
- Department of Ecology, forecast for banked credits
- McConnell, V., Leard, B., & Kardos, F. (2019, November). California's Evolving Zero Emission Vehicle Program: Pulling New Technology into the Market (Working Paper 19-22). Resources for the Future.

REVENUE ESTIMATES:

This bill has no impact on revenues for fiscal year 2026 and increases state revenues by an estimated \$77.9 million in the five months of impacted collections in fiscal year 2027.

TOTAL REVENUE IMPACT:

State Government (cash basis, \$000):

FY 2026 -	\$ 0
FY 2027 -	\$ 77,900
FY 2028 -	\$ 102,200
FY 2029 -	\$ 100,700
FY 2030 -	\$ 99,000
FY 2031 -	\$ 95,600

Local Government (cash basis, \$000): None

II. C - Expenditures

Agency expenditures necessary to implement this legislation (or savings resulting from this legislation), with the provisions of the legislation that result in the expenditures (or savings) identified by section number. Description of the factual basis of the assumptions and the method by which the expenditure impact is derived. Explanation of how workload assumptions translate into cost estimates. Distinguished between one time and ongoing functions.

FIRST YEAR COSTS:

The department will incur total costs of \$925,200 in fiscal year 2026. These costs include:

Labor Costs – Time and effort equate to 4.88 FTEs.

- Create a special notice and update relevant information on the department's website.
- Gather requirements, attend implementation meetings, and document system changes.
 - Accounting activities for the new tax; compiling receivable information for statewide financial statements and stakeholders.
- Set up, program, and test computer system changes.
- Respond to data requests and questions, compile statistics, and manage data.

Object Costs - \$186,700.

- Computer system changes, including contract programming.

SECOND YEAR COSTS:

The department will incur total costs of \$411,000 in fiscal year 2027. These costs include:

Labor Costs – Time and effort equate to 2.8 FTEs.

- Respond to data requests and questions, compile statistics, and manage data.
- Continue to gather requirements, attend implementation meetings, and document system changes.
 - Process tax return work items, assist taxpayers with reporting questions, and respond to inquiries via email, web message, and paper correspondence.
- Examine accounts and make corrections as necessary.
- Continued computer system testing, monitoring, and maintenance.

THIRD YEAR COSTS:

The department will incur total costs of \$241,700 in fiscal year 2028. These costs include:

Labor Costs – Time and effort equate to 1.7 FTEs.

- Routine audits will require additional time to verify exemptions are valid.
- Respond to data requests and questions, compile statistics, and manage data.
 - Process tax return work items, assist taxpayers with reporting questions, and respond to inquiries via email, web message, and paper correspondence.
- Examine accounts and make corrections as necessary.
- Continued computer system testing, monitoring, and maintenance.

FOURTH YEAR COSTS:

The department will incur total costs of \$229,900 in fiscal year 2029. These costs include:

Labor Costs – Time and effort equate to 1.6 FTEs.

- Routine audits will require additional time to verify exemptions are valid.
- Respond to data requests and questions, compile statistics, and manage data.
 - Process tax return work items, assist taxpayers with reporting questions, and respond to inquiries via email, web message, and paper correspondence.
- Examine accounts and make corrections as necessary.
- Continued computer system testing, monitoring, and maintenance.

ONGOING COSTS:

Ongoing costs for the 2029-31 biennium equal \$459,800 and include similar activities described in the fourth-year costs. Time and effort equate to 1.6 FTEs.

Part III: Expenditure Detail

III. A - Expenditures by Object Or Purpose

	FY 2026	FY 2027	2025-27	2027-29	2029-31
FTE Staff Years	4.9	2.8	3.8	1.7	1.6
A-Salaries and Wages	471,600	266,800	738,400	303,800	297,200
B-Employee Benefits	169,800	96,000	265,800	109,500	107,200
C-Professional Service Contracts	186,700		186,700		
E-Goods and Other Services	77,600	42,000	119,600	49,900	47,800
G-Travel		400	400	1,400	1,400
J-Capital Outlays	19,500	5,800	25,300	7,000	6,200
Total \$	\$925,200	\$411,000	\$1,336,200	\$471,600	\$459,800

III. B - Detail: *FTEs listed by classification and corresponding annual compensation. Totals agree with total FTEs in Part I and Part IIIA.*

Job Classification	Salary	FY 2026	FY 2027	2025-27	2027-29	2029-31
EXCISE TAX EX 3	66,012		0.1	0.1	0.2	0.1
IT B A-JOURNEY	94,728	1.7	0.8	1.3	0.2	0.2
IT B A-SR/SPEC	104,412	0.9	0.3	0.6	0.1	0.1
IT QA-JOURNEY	94,728		0.1	0.1		
IT QA-SR/SPEC	104,412	0.2		0.1		
IT SYS ADM-JOURNEY	99,444	0.3		0.2		
REVENUE AUDITOR 3	72,924				0.2	0.2
TAX POLICY SP 2	80,460	0.1		0.1		
TAX POLICY SP 3	91,068	0.6	0.5	0.5		
TAX POLICY SP 4	98,040	1.0	1.0	1.0	1.0	1.0
WMS BAND 1	82,395	0.1		0.1		
WMS BAND 2	101,410	0.0		0.0		
Total FTEs		4.9	2.8	3.9	1.7	1.6

III. C - Expenditures By Program (optional)

NONE

Part IV: Capital Budget Impact

IV. A - Capital Budget Expenditures

NONE

IV. B - Expenditures by Object Or Purpose

NONE

IV. C - Capital Budget Breakout

Acquisition and construction costs not reflected elsewhere on the fiscal note and description of potential financing methods.

NONE

Part V: New Rule Making Required

Individual State Agency Fiscal Note

Bill Number: 2077 HB	Title: Establishing a tax on certain business activities related to surpluses generated under the zero-emission vehicle program	Agency: 461-Department of Ecology
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Part I: Estimates

☐

No Fiscal Impact

Estimated Cash Receipts to:

NONE

Estimated Operating Expenditures from:

	FY 2026	FY 2027	2025-27	2027-29	2029-31
FTE Staff Years	0.6	0.6	0.6	0.6	0.6
Account					
General Fund-State 001-1	74,383	74,383	148,766	148,766	148,766
Total \$	74,383	74,383	148,766	148,766	148,766

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:

☒

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: Tracey Taylor	Phone: 360-786-7152	Date: 04/12/2025
Agency Preparation: Kelcy Shaffer	Phone: 564-200-3781	Date: 04/17/2025
Agency Approval: Garret Ward	Phone: 360-789-7938	Date: 04/17/2025
OFM Review: Lisa Borkowski	Phone: (360) 742-2239	Date: 04/18/2025

Part II: Narrative Explanation

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

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

In 2020, RCW 70A.30.010 directed Ecology to adopt California's zero-emission vehicle standards. In Nov. 2021, Ecology adopted zero-emission vehicle standards requiring a percentage of the vehicles sold in Washington to be zero-emission, starting with the 2025 model year. An additional rulemaking in Nov. 2022 adopted zero-emission standards for model years 2026 and beyond.

This bill would require the Department of Revenue to tax the value of zero-emission vehicle credits under Ecology's Advanced Clean Cars and Advanced Clean Cars II (ACC II) regulations (passenger zero-emission vehicle standards). Credits would be taxed if auto manufacturers bank them for later use, transfer them within Washington to other manufacturers, or transfer them (pool them) to other states. The tax would take effect immediately and would cover all model years for which the program is in effect (2024 and beyond). Ecology would be required to share credit transfer and pooling information with the Department of Revenue and publish it on Ecology's webpages. Tax rates would be 2% on transfers, 10% on banked credits, and 50% on pooled credits, and only apply to manufacturers with more than 25,000 zero-emission vehicle credits banked and/or sold in a model year. Pooling tax rates would not be exemptible but would be reduced to 10% if a manufacturer sells a greater percentage of zero-emission vehicles in Washington than they do on average in other states with ACC II.

Section 3 would create reporting requirements for manufacturers to the Department of Revenue on the value of their credit transfers under ACC II. This section states Ecology would also be required to share information received by manufacturers on transfers and pooled credits, and Ecology would be required to publish all of this information in a form that does not disclose prices for specific transactions.

Section 4 would establish tax rates for banked (10%), transferred (2%), and pooled (50%) credits; reduce the pooled credit tax rate to 10% if a manufacturer sells a greater percentage of zero-emission vehicles in Washington than in other ACC II states; establish reporting requirements for credit values for Revenue and Ecology; establish penalties for failing to pay this tax; and ensure 30% of revenues from these taxes flow to the electric vehicle incentive account, with the remaining 70% going to the general fund through June 30, 2027 and the carbon emissions reduction account afterwards.

Section 6 would create a 25,000-credit threshold, including banked and transferred credits, that manufacturers must exceed in a model year for these taxes to be imposed on credits they bank or transfer. Pooling would apply to all manufacturers without exemption. While these provisions would not impact Ecology or the Advanced Clean Cars standards directly, Ecology's credit banks for each manufacturer would be used to determine whether the threshold is met for each manufacturer in each model year. This could, at a later date, require rulemaking to address any complications that arise from this.

Section 8 states that sections 2 through 6 would constitute a new chapter in Title 82 RCW.

II. B - Cash receipts Impact

Cash receipts impact of the legislation on the responding agency with the cash receipts provisions identified by section number and when appropriate, the detail of the revenue sources. Description of the factual basis of the assumptions and the method by which the cash receipts impact is derived. Explanation of how workload assumptions translate into estimates. Distinguished between one time and ongoing functions.

II. C - Expenditures

Agency expenditures necessary to implement this legislation (or savings resulting from this legislation), with the provisions of the legislation that result in the expenditures (or savings) identified by section number. Description of the factual basis of the assumptions and the method by which the expenditure impact is derived. Explanation of how workload assumptions translate into cost estimates. Distinguished between one time and ongoing functions.

The expenditure impact to Ecology under this bill is estimated to be greater than \$50,000 in Fiscal Year (FY) FY 2026 and

ongoing to implement the requirements of sections 3, 4, and 6.

Sections 3, 4, and 6 would create a need for strong communications support to ensure that the bill is effectively implemented and understood by impacted parties. Communication efforts would be necessary to introduce and explain the new ZEV credit reporting and tax requirements to impacted manufacturers. These resources would also support coordination between Ecology and Department of Revenue, as well as Ecology’s direct interactions with impacted parties and others.

Ecology assumes 0.5 FTE Communications Consultant 4 (CC4), in FY 2026 and ongoing, would be necessary to support coordination with the Department of Revenue and publication of credit information on Ecology’s website, develop communications materials for those regulated by ACC II to explain how the tax affects them, develop communications materials for the general public explaining how the tax is influencing credit usage, and respond to inquiries from media and other interested parties about the interaction between the tax and ACC II.

THE TOTAL EXPENDITURE IMPACT to Ecology under this bill is estimated to be:

FY 2026: \$74,383 and 0.6 FTEs

FY 2027: \$74,383 and 0.6 FTEs

FY 2028: \$74,383 and 0.6 FTEs

FY 2029: \$74,383 and 0.6 FTEs

FY 2030: \$74,383 and 0.6 FTEs

FY 2031: \$74,383 and 0.6 FTEs

Notes on costs by object:

Salary estimates are current biennium actual rates at Step L.

Benefits are the agency average of 33.7% of salaries.

Goods and Services are the agency average of \$5,552 per direct program FTE.

Travel is the agency average of \$2,398 per direct program FTE.

Equipment is the agency average of \$1,074 per direct program FTE.

Agency Administrative Overhead is calculated at the federally approved agency indirect rate of 29.9% of direct program salaries and benefits, and is shown as object 9. Agency Administrative Overhead FTEs are included at 0.15 FTE per direct program FTE, and are identified as Fiscal Analyst 2 and IT App Development - Journey.

Part III: Expenditure Detail

III. A - Operating Budget Expenditures

Account	Account Title	Type	FY 2026	FY 2027	2025-27	2027-29	2029-31
001-1	General Fund	State	74,383	74,383	148,766	148,766	148,766
Total \$			74,383	74,383	148,766	148,766	148,766

III. B - Expenditures by Object Or Purpose

	FY 2026	FY 2027	2025-27	2027-29	2029-31
FTE Staff Years	0.6	0.6	0.6	0.6	0.6
A-Salaries and Wages	40,230	40,230	80,460	80,460	80,460
B-Employee Benefits	13,558	13,558	27,116	27,116	27,116
C-Professional Service Contracts					
E-Goods and Other Services	2,776	2,776	5,552	5,552	5,552
G-Travel	1,199	1,199	2,398	2,398	2,398
J-Capital Outlays	537	537	1,074	1,074	1,074
M-Inter Agency/Fund Transfers					
N-Grants, Benefits & Client Services					
P-Debt Service					
S-Interagency Reimbursements					
T-Intra-Agency Reimbursements					
9-Agency Administrative Overhead	16,083	16,083	32,166	32,166	32,166
Total \$	74,383	74,383	148,766	148,766	148,766

III. C - Operating 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	FY 2026	FY 2027	2025-27	2027-29	2029-31
COMMUNICATIONS CONSULTANT 4	80,460	0.5	0.5	0.5	0.5	0.5
FISCAL ANALYST 2		0.1	0.1	0.1	0.1	0.1
IT APP DEVELOPMENT-JOURNEY		0.0	0.0	0.0	0.0	0.0
Total FTEs		0.6	0.6	0.6	0.6	0.6

III. D - Expenditures By Program (optional)

NONE

Part IV: Capital Budget Impact

IV. A - Capital Budget Expenditures

NONE

IV. B - Expenditures by Object Or Purpose

NONE

IV. C - Capital Budget Breakout

Acquisition and construction costs not reflected elsewhere on the fiscal note and description of potential financing methods.

NONE

IV. D - Capital FTE Detail: *FTEs listed by classification and corresponding annual compensation. Totals agree with total FTEs in Part IVB.*

NONE

Part V: New Rule Making Required

Provisions of the bill that require the agency to adopt new administrative rules or repeal/revise existing rules.



Multiple Agency Ten-Year Analysis Summary

Bill Number	Title
2077 HB	Establishing a tax on certain business activities related to surpluses generated under the zero-emission vehicle program

This ten-year analysis is limited to the estimated cash receipts associated with the proposed tax or fee increases.

Estimated Cash Receipts

	Fiscal Year 2026	Fiscal Year 2027	Fiscal Year 2028	Fiscal Year 2029	Fiscal Year 2030	Fiscal Year 2031	Fiscal Year 2032	Fiscal Year 2033	Fiscal Year 2034	Fiscal Year 2035	2026-35 TOTAL
Office of State Treasurer	0	0	0	0	0	0	0	0	0	0	0
Department of Commerce	0	0	0	0	0	0	0	0	0	0	0
Department of Revenue	0	77,900,000	102,200,000	100,700,000	99,000,000	95,600,000	92,000,000	85,800,000	79,600,000	71,000,000	803,800,000
Department of Ecology	0	0	0	0	0	0	0	0	0	0	0
Total	0	77,900,000	102,200,000	100,700,000	99,000,000	95,600,000	92,000,000	85,800,000	79,600,000	71,000,000	803,800,000



Ten-Year Analysis

Bill Number 2077 HB	Title Establishing a tax on certain business activities related to surpluses generated under the zero-emission vehicle program	Agency 090 Office of State Treasurer
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This ten-year analysis is limited to agency estimated cash receipts associated with the proposed tax or fee increases. The Office of Financial Management ten-year projection can be found at <http://www.ofm.wa.gov/tax/default.asp>.

Estimates

☒ **No Cash Receipts** ☐ **Partially Indeterminate Cash Receipts** ☐ **Indeterminate Cash Receipts**

Name of Tax or Fee	Acct Code											
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Agency Preparation: Dan Mason	Phone: (360) 902-8990	Date: 4/14/2025 8:51:52 am
Agency Approval: Dan Mason	Phone: (360) 902-8990	Date: 4/14/2025 8:51:52 am
OFM Review:	Phone:	Date:



Ten-Year Analysis

Bill Number 2077 HB	Title Establishing a tax on certain business activities related to surpluses generated under the zero-emission vehicle program	Agency 103 Department of Commerce
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This ten-year analysis is limited to agency estimated cash receipts associated with the proposed tax or fee increases. The Office of Financial Management ten-year projection can be found at <http://www.ofm.wa.gov/tax/default.asp>.

Estimates

☒ **No Cash Receipts** ☐ **Partially Indeterminate Cash Receipts** ☐ **Indeterminate Cash Receipts**

Name of Tax or Fee	Acct Code											
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Agency Preparation: Joseph Piper	Phone: 360-725-3042	Date: 4/15/2025 1:16:17 pm
Agency Approval: Joseph Piper	Phone: 360-725-3042	Date: 4/15/2025 1:16:17 pm
OFM Review:	Phone:	Date:



Ten-Year Analysis

Bill Number 2077 HB	Title Establishing a tax on certain business activities related to surpluses generated under the zero-emission vehicle program	Agency 140 Department of Revenue
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This ten-year analysis is limited to agency estimated cash receipts associated with the proposed tax or fee increases. The Office of Financial Management ten-year projection can be found at <http://www.ofm.wa.gov/tax/default.asp>.

Estimates

☐ **No Cash Receipts**
☐ **Partially Indeterminate Cash Receipts**
☐ **Indeterminate Cash Receipts**

Estimated Cash Receipts

Name of Tax or Fee	Acct Code	Fiscal Year 2026	Fiscal Year 2027	Fiscal Year 2028	Fiscal Year 2029	Fiscal Year 2030	Fiscal Year 2031	Fiscal Year 2032	Fiscal Year 2033	Fiscal Year 2034	Fiscal Year 2035	2026-35 TOTAL
ZEV Credit Excise tax.	001		54,500,000									54,500,000
ZEV Credit Excise tax.	26a			71,500,000	70,500,000	69,300,000	67,000,000	64,400,000	60,100,000	55,800,000	49,700,000	508,300,000
ZEV Credit Excise tax.	27b		23,400,000	30,700,000	30,200,000	29,700,000	28,600,000	27,600,000	25,700,000	23,800,000	21,300,000	241,000,000
Total			77,900,000	102,200,000	100,700,000	99,000,000	95,600,000	92,000,000	85,800,000	79,600,000	71,000,000	803,800,000
Biennial Totals			77,900,000	202,900,000		194,600,000		177,800,000		150,600,000		803,800,000

Narrative Explanation (Required for Indeterminate Cash Receipts)

CURRENT LAW:

The Zero Emission Vehicle (ZEV) program is a collaboration among states adopting California's ZEV standards under the federal Clean Air Act. Washington and other states have committed to implementing aligned ZEV regulations as program partners. The program aims for participating states to achieve 100% zero-emission vehicle sales by 2035.

A ZEV is a vehicle producing no exhaust emissions from an onboard power source. Examples include battery electric vehicles and hydrogen fuel cell electric vehicles.

In 2020, new legislation directed the Department of Ecology (Ecology) to adopt California's vehicle emission standards, including requirements for zero emission vehicles.

Starting with the 2025 model year, Washington's ZEV standards require a certain percentage of new vehicles sold to produce no emissions. Additionally, manufacturers must sell an increasing percentage of zero-emission trucks beginning with this model year.



Ten-Year Analysis

Bill Number	Title	Agency
2077 HB	Establishing a tax on certain business activities related to surpluses generated under the zero-emission vehicle program	140 Department of Revenue

This ten-year analysis is limited to agency estimated cash receipts associated with the proposed tax or fee increases. The Office of Financial Management ten-year projection can be found at <http://www.ofm.wa.gov/tax/default.asp>.

Narrative Explanation (Required for Indeterminate Cash Receipts)

To track compliance, each automaker must report ZEV sales in Washington to Ecology. Based on the reported information, manufacturers earn credits based on the type and number of ZEVs reported.

Manufacturers must earn or purchase a certain number of credits, proportional to the number of vehicles sold. They apply these credits toward annual compliance obligations.

Manufacturers earning excess credits may:

- Bank them for future years.
- Sell them to other manufacturers.
- Apply them in a different state.

When a manufacturer applies its credits in a different state, this activity is called 'pooling.'

The business and occupation (B&O) tax applies to the value of products, gross proceeds of sale, or gross income of each taxpayer. A taxpayer may not deduct expenses. Manufacturers selling credits pay B&O tax on income from these sales.

PROPOSAL:

This bill imposes a new excise tax on the pooling, banking, and sale of surplus ZEV credits.

For a ZEV credit sold to another manufacturer, the tax is equal to the credit sales price multiplied by 2%.

For banked credits, the tax is imposed beginning with model year 2024 and applies to both:

- Credits banked after the effective date.
- Credits banked before the effective date that continue to be banked.

The tax rate for banked credits is 10% of the average ZEV credit price for each model year the ZEV credit is banked.

For credits pooled after the effective date of this bill, the tax is first imposed for model year 2024. The tax rate depends on the model year and the manufacturer's ZEV delivery rate in Washington compared to other states with similar ZEV programs:

- For model year 2024, the tax is equal to the average ZEV credit price multiplied by 10%.



Ten-Year Analysis

Bill Number	Title	Agency
2077 HB	Establishing a tax on certain business activities related to surpluses generated under the zero-emission vehicle program	140 Department of Revenue

This ten-year analysis is limited to agency estimated cash receipts associated with the proposed tax or fee increases. The Office of Financial Management ten-year projection can be found at <http://www.ofm.wa.gov/tax/default.asp>.

Narrative Explanation (Required for Indeterminate Cash Receipts)

- Beginning with model year 2025:
 - If a manufacturer reports delivering zero-emission vehicles in Washington at a rate equal to or greater than their average rate in other similar states, the tax is equal to the average ZEV credit price multiplied by 10%.
 - If a manufacturer reports delivering zero-emission vehicles in Washington at a rate less than their average rate in other similar states, the tax is equal to the average ZEV credit price multiplied by 50%.

The bill establishes a tax exemption for manufacturers that bank or sell credits associated with a total of less than 25,000 zero-emission vehicles or qualifying plug-in hybrid zero-emission vehicles for a model year. Manufacturers exceeding this threshold must pay the tax on each credit banked or sold for that model year.

The exemption does not apply to pooled ZEV credits.

The new tax preference performance provisions do not apply to this bill (see section 7).

By October 31 each year, beginning in 2025 for model year 2024:

- Manufacturers must report to Ecology, for the prior model year, the number of credits generated, banked and sold.
- Ecology must share this information with the department.
- Manufacturers must report the ZEV credit sale price for each transaction to the department.

Annually, the department must calculate the average credit sales price after November 1, starting in 2026. The department must notify manufacturers of their tax liability by January 31. Manufacturers must pay the tax within 30 days of notification.

When the department first calculates the average credit sales price and notifies manufacturers, it must do so for both model years 2024 and 2025. Beginning in 2027, the department will calculate and notify only for the most recent model year.

This bill deposits the ZEV credit taxes as follows:

- 70% to the General Fund until June 30, 2027.
- 70% to the Carbon Emissions Reduction Account beginning July 1, 2027.
- 30% to the Electric Vehicle Incentive Account.

EFFECTIVE DATE:



Ten-Year Analysis

Bill Number	Title	Agency
2077 HB	Establishing a tax on certain business activities related to surpluses generated under the zero-emission vehicle program	140 Department of Revenue

This ten-year analysis is limited to agency estimated cash receipts associated with the proposed tax or fee increases. The Office of Financial Management ten-year projection can be found at <http://www.ofm.wa.gov/tax/default.asp>.

Narrative Explanation (Required for Indeterminate Cash Receipts)

This bill contains an emergency clause and takes effect immediately upon the governor's approval. However, due to the time it will take to program this bill's changes, the department cannot implement the bill until April 1, 2026.

ASSUMPTIONS:

- The department will implement this bill by April 1, 2026, and invoice model years 2024 and 2025 in January 2027. The ZEV sales targets were lower for model years 2024 and 2025 than in model year 2026.
- The NEW source is the ZEV Credit Excise tax.
- The value of an ACCII credit is \$6,000 for model year 2026.
- The annual decline in banked credits and the value of an ACCII credit reflects Ecology's March 2025 forecast for the number of banked credits.
- Manufacturers do not pool any credits.

DATA SOURCES:

- California Air Resources Board, ZEV-CRDTS platform
- Department of Commerce, Vehicle Population Forecast
- Department of Ecology, forecast for banked credits
- McConnell, V., Leard, B., & Kardos, F. (2019, November). California's Evolving Zero Emission Vehicle Program: Pulling New Technology into the Market (Working Paper 19-22). Resources for the Future.

REVENUE ESTIMATES:

This bill has no impact on revenues for fiscal year 2026 and increases state revenues by an estimated \$77.9 million in the five months of impacted collections in fiscal year 2027.

TOTAL REVENUE IMPACT:

State Government (cash basis, \$000):

FY 2026 -	\$ 0
FY 2027 -	\$ 77,900
FY 2028 -	\$ 102,200
FY 2029 -	\$ 100,700
FY 2030 -	\$ 99,000
FY 2031 -	\$ 95,600

Local Government (cash basis, \$000): None



Ten-Year Analysis

Bill Number	Title	Agency
2077 HB	Establishing a tax on certain business activities related to surpluses generated under the zero-emission vehicle program	140 Department of Revenue

Agency Preparation: Sara del Moral	Phone: 360-534-1525	Date: 4/15/2025 11:24:55 an
Agency Approval: Marianne McIntosh	Phone: 360-534-1505	Date: 4/15/2025 11:24:55 an
OFM Review:	Phone:	Date:



Ten-Year Analysis

Bill Number 2077 HB	Title Establishing a tax on certain business activities related to surpluses generated under the zero-emission vehicle program	Agency 461 Department of Ecology
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This ten-year analysis is limited to agency estimated cash receipts associated with the proposed tax or fee increases. The Office of Financial Management ten-year projection can be found at <http://www.ofm.wa.gov/tax/default.asp>.

Estimates

☒ **No Cash Receipts** ☐ **Partially Indeterminate Cash Receipts** ☐ **Indeterminate Cash Receipts**

Name of Tax or Fee	Acct Code											
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Agency Preparation: Kelcy Shaffer	Phone: 564-200-3781	Date: 4/17/2025 5:52:01 pm
Agency Approval: Garret Ward	Phone: 360-789-7938	Date: 4/17/2025 5:52:01 pm
OFM Review:	Phone:	Date: