

# Special Notice

*Intended audience: Businesses that use commercial vehicles*

**Dec. 12, 2017**

## Clean alternative fuel commercial vehicles tax credits expanded

### What's new?

Legislators recently expanded this program as of January 1, 2018 (Substitute House Bill 1809, Chapter 29, Laws of 2017).

- The law increased the maximum credits we allow per vehicle.
- Qualifying commercial vehicles include those you use to transport passengers and provide commercial services.
- Qualifying used vehicles can be 10 years old with mileage up to 450,000 miles.
- You will be able to include multiple vehicles on a single application (after March 19, 2018).

### Who qualifies?

You are eligible for a credit against the business and occupation (B&O) tax or public utility tax (PUT) if:

- You purchase or lease clean alternative fuel commercial vehicles, or
- You pay to have a commercial vehicle modified to mainly run on clean alternative fuel.

The law bases the credit on the purchase or lease price (of a clean alternative fuel commercial vehicle), or the costs to modify one. The law limits the available credit statewide to \$6 million annually. You may earn the credit through January 1, 2021, and you must use the credits you earn by January 1, 2022 ([RCW 82.04.4496](#) and [82.16.0496](#)).

### What types of vehicles are eligible for the credit?

Eligible vehicles include:

- Purchases and leases of new commercial vehicles and qualifying used commercial vehicles with propulsion units that are principally powered by a clean alternative fuel, or

PO BOX 47478 | OLYMPIA, WASHINGTON 98504-7478 | 1-800-647-7706 | [DOR.WA.GOV](#)

For tax assistance or to request this document in an alternate format, visit <http://dor.wa.gov> or call 1-800-647-7706. Teletype (TTY) users may use the Washington Relay Service by calling 711.

- Costs to modify a commercial vehicle to be principally powered by a clean alternative fuel. This includes property incorporated into the vehicle, and labor or service charges to modify the vehicle.

## How you must use the vehicle

You must use the commercial vehicle exclusively in the provision of commercial services or to transport commodities, merchandise, produce, refuse, freight, animals, or passengers. The vehicle must display a Washington license plate.

All commercial vehicles that provide transportation to passengers must be operated by an auto transportation company.

## How does my business earn the credit?

Credits are available on a first-in-time basis. Your business earns a credit when the Washington State Department of Revenue (DOR):

- approves your application *and*
- you make qualifying purchases and take possession of the vehicle(s), *or*
- the conversion is complete.

The application process has three parts. DOR must approve all three parts for you to earn a credit.

To qualify for the increased credit on a leased vehicle, you must receive the vehicle on or after January 1, 2018, through January 1, 2021.

Your credit amounts to part of the purchase or lease price (of a clean alternative fuel commercial vehicle) or the costs to modify one. See the **“How do you calculate the credit on vehicle purchases?”** heading below for more information.

A credit you earn during one calendar year may be carried over and applied against taxes you owe during the following calendar year. However, you may not carry over that same credit during the second year. For example, a credit you earn in March 2018 may be carried over and applied to taxes due on your December 2019 return, but not to taxes due on January 2020 return periods or later.

## How do you calculate the credit on vehicle purchases?

1. Find your vehicle’s gross weight on the table below. This is the vehicle class.

Gross Vehicle Weight	Incremental Cost Amount	Maximum Credit Amount Per Vehicle	Maximum Annual Statewide Credit Per Vehicle Class
Up to 14,000 pounds	50% of incremental cost	\$25,000	\$2,000,000
14,001 to 26,500 pounds	50% of incremental cost	\$50,000	\$2,000,000
Above 26,500 pounds	50% of incremental cost	\$100,000	\$2,000,000

2. Calculate the incremental cost. This is the difference in price between the commercial vehicle

you bought and a comparable conventionally-fueled vehicle. Your credit is limited to the **lower amount of:**

- the incremental cost amount, or
- the maximum credit amount per vehicle that you purchased or leased.

## How do you calculate the credit on vehicle leases?

The credit for a leased vehicle is equal to the credit listed above for purchased vehicles, multiplied by the lease reduction factor. See the **Definitions** section.

## How do you calculate the credit on converted commercial vehicles?

You may receive a credit equal to \$25,000, or 30 percent of conversion costs, whichever is smaller. This amount is subject to the annual statewide cap by vehicle class in the above table and the business' individual annual credit limit discussed below. The conversion must be a United States Environmental Protection Agency certified conversion.

## What are the annual credit limits?

You may earn credit each year up to \$250,000 or 25 vehicles, whichever is smaller. A carry-over credit from the year before does not affect the current year's limit.

The statewide limit for all vehicle classes is \$6 million (three weight classes each with a \$2 million limit). DOR won't issue your credit if the \$2 million statewide annual credit limit for your vehicle class is reached. However, every year on September 1st DOR will make available any unused credits. These credits come from other weight classes available to applications that DOR could not approve because the weight class cap had been met. These will be reviewed on a first-in-time basis.

How can I tell how much annual credit remains?

DOR's [Tax Incentive page](#) lists the following monthly updates:

- the amount of credits that others have applied for
- the amount of credits the department has issued
- the amount of credits that remain from the statewide \$6 million annual limit

The department counts a credit against the limits for the calendar year based on the possession date of the vehicle.

DOR will notify businesses that have applied for a credit if the request exceeds the available credit limit.

## How do I apply for credits?

There are three steps to apply for your credit. You will access all three steps online:

1. Go to *My Account*
2. Click on *Credits and Tax Incentives* menu on the left-hand side.
3. Click on *Apply for Commercial Vehicle Credit*.
4. Select *Start application*.

You may apply for multiple vehicles on one application but all required information must be provided for each vehicle you purchase, lease, or convert. If you do not provide all the information we require, we will deny your application.

**Here are your steps in more detail:**

1. **Application:** From *My Account* select *Apply for Commercial Vehicle Credit > Start application*. You will need to provide the following information for each vehicle:

- Gross vehicle weight
- Type of alternative fuel to be used by the vehicle
- Estimated annual fuel use of the vehicle in its anticipated duties
- What the vehicle will be used to transport
- If the vehicle will be licensed and registered in Washington
- Odometer reading (used vehicle only)
- Original date of manufacture (used vehicle only)
- Incremental cost of the alternative fuel system or costs of conversion
- Anticipated delivery date of the vehicle
- Documentation - one of the following:
  - Quotation of price or costs
  - Unexecuted copy of purchase requisition
  - Order for the vehicle
  - Copy of the lease contract that includes the gross capitalized cost, residual value, and name of the lessee (leased vehicle only)

Select *Submit application*

2. **Notice of Intent:** From *My Account* select *Apply for Commercial Vehicle Credit > View/continue with submitted application > Submit Notice of Intent*. The notice must be filed within 15 days from when we notify you that the credit you are applying for is available. The notice must include the following information:

- Copy of vehicle order or conversion order, including the total cost for the vehicle/conversion
- Anticipated delivery date of the vehicle, which must be within 1 year of acceptance of the credit

3. **Receipt of Vehicle** (proof that you've received the vehicle): From *My Account* select *Apply for Commercial Vehicle Credit > View/continue with submitted application > Submit Receipt of Vehicle*. You must file this portion of the application within 15 days of you receiving the vehicle(s). It must include the following information:

- Incremental cost of the alternative fuel system or costs for conversion
- Date you received the vehicle(s)
- Vehicle Identification Number (VIN) of each vehicle
- Copy of the vehicles' final invoice for the purchase, lease, or conversion
- Copy of the factory build sheet or conversion certification
- Statement signed by both the seller and the person authorized in your business to make the purchase or lease verifying the incremental costs of the alternative fuel system includes only the costs necessary for the vehicle(s) to run on alternative fuel and no other vehicle options, equipment, or costs

DOR bases the final approval of the application and credit on the business' individual annual credit limit and statewide vehicle class credit limits.

## How do I claim my credits against my B&O taxes or PUT due?

Once you have been notified that we accepted your final documentation, the credit will appear in My *Account under Credits*. You may then apply the credit when you electronically file your returns. You may *not* apply the same credit to B&O tax *and* PUT.

You may not apply the credit to returns for periods that are before the credit's issue date. For example, you may not apply a credit issued in March 2018 to a January 2018 return.

You may earn credits through January 1, 2021. You must apply your earned credits to returns you file by January 1, 2022. DOR will deny credits that you apply to returns filed after that date.

## Does my business need to file an Annual Tax Performance Report?

No.

## Definitions

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

**"Commercial vehicle"** means any commercial vehicle that is:

- purchased by a private business
- used exclusively in the provision of commercial services or the transportation of commodities, merchandise, produce, refuse, freight, animals, or passengers and
- displays a Washington state license plate

**"Clean alternative fuel"** means electricity, dimethyl ether, hydrogen, methane, natural gas, liquefied natural gas (LNG), compressed natural gas (CNG), or propane.

**“Gross capitalized cost”** means the agreed upon value of the commercial vehicle including any other items a person pays over the lease term that are included in such cost.

**“Lease reduction factor”** means the vehicle gross capitalized cost less the residual value, divided by the gross capitalized cost.

**“Qualifying used commercial vehicle”** means a commercial vehicle that:

- has an odometer reading of less than 450,000 miles
- is less than ten years past its original date of manufacture
- is modified after the initial purchase with a United States environmental protection agency certified conversion that would allow the propulsion units to be principally powered by a clean alternative fuel and
- is being sold for the first time after modification.

**“Residual value”** means the lease-end value of the vehicle as determined by the lessor, at the end of the lease term included in the lease contract.

## Questions?

- For information regarding the available statewide credit amount, visit [dor.wa.gov](http://dor.wa.gov), select Tax Incentives, and then [Renewable Energy](#).
- For help completing the application, call the Taxpayer Account Administration Division at 360-705-6214.
- For help claiming the credit, call 1-800-647-7706.

PO BOX 47478 | OLYMPIA, WASHINGTON 98504-7478 | 1-800-647-7706 | [DOR.WA.GOV](http://DOR.WA.GOV)

For tax assistance or to request this document in an alternate format, visit <http://dor.wa.gov> or call 1-800-647-7706. Teletype (TTY) users may use the Washington Relay Service by calling 711.