

# Special Notice

*Intended audience: Businesses that use commercial vehicles*

**Nov. 6, 2019**

## **Clean alternative fuel commercial vehicles and vehicle infrastructure tax credits expanded**

Effective Jan. 1, 2020, a new law expands the tax credits for clean alternative fuel commercial vehicles and vehicle infrastructure.

The expansion of the credit:

- makes purchases of alternative fuel vehicle infrastructure eligible for the credit for up to 50% of the cost
- increases the percentage of the incremental cost amount eligible for the credit from 50% to 75%
- increases the percentage of the conversion cost eligible for the credit from 30% to 50%
- updates the definition of an auto transportation company
- allows credits to be earned until the total amount of credit awarded since July 15, 2015, reaches \$32.5 million

### **Who qualifies for the credit?**

You are eligible for a credit against the business and occupation (B&O) tax or public utility tax (PUT) if you meet one or more of the following:

- purchase or lease a clean alternative fuel commercial vehicle
- pay to have a commercial vehicle converted to mainly operate on clean alternative fuel
- purchase alternative fuel vehicle infrastructure component parts, as well as related installation and construction

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## Vehicle use requirements

The commercial vehicle must be used exclusively in providing commercial services or transporting 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 to calculate the credits

Credits are based on qualifying purchases of alternative fuel vehicle infrastructure or the commercial vehicle class (gross vehicle weight) and whether it's purchased, leased or a converted. See table and sections below.

	Up to 14,000 pounds	14,001 - 26,500 pounds	Above 26,500 pounds
Purchased vehicles	75% of incremental cost <b>or</b> \$25,000, whichever is less.	75% of incremental cost <b>or</b> \$50,000, whichever is less.	75% of incremental cost <b>or</b> \$100,000, whichever is less.
Leased vehicles	75% of incremental cost <b>or</b> \$25,000, whichever is less. Then, multiply by the lease reduction factor.		
Converted vehicles	50% of the conversion costs <b>or</b> \$25,000, whichever is less		

## Vehicle purchases

First, find your vehicle's gross vehicle weight in the first row in the table above. Next, calculate the incremental cost amount. This is the difference in price between the commercial vehicle you purchased and a comparable conventionally fueled vehicle.

Your credit is limited to **the lesser of 75%** of the incremental cost amount **or** the maximum credit amount per vehicle based on the gross vehicle weight of the vehicle purchased.

### Example

Your business purchases a new alternative fuel commercial vehicle with a gross vehicle weight of 9,000 pounds. The purchase price is \$38,000. A comparable conventionally fueled vehicle sells for \$32,000. The incremental cost is \$6,000. 75% of \$6,000 is a possible credit of \$4,500.

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

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## Vehicle leases

The credit for a leased vehicle is equal to the credit listed above for purchased vehicles, multiplied by the lease reduction factor. The lease reduction factor is the vehicle gross capitalized cost less the residual value, divided by the gross capitalized cost.

## Converted commercial vehicles

The purchase of a converted commercial vehicle may be eligible for a credit equal to \$25,000 or 50% of the conversion costs, whichever is less. This amount is subject to the annual statewide cap by vehicle class in the above table. There is no cap to the business's individual annual credit limit. The conversion must be a United States Environmental Protection Agency certified conversion.

## Vehicle infrastructure

The credit is available up to 50% of the cost to purchase tangible personal property that will become a component of alternative fuel vehicle infrastructure, and installation and construction of alternative fuel vehicle infrastructure. Alternative fuel vehicle infrastructure is defined in RCW 82.04.4490 as "structures, machinery, and equipment necessary and integral to support a clean alternative fuel vehicle."

The cost of property acquisition and site improvement related to installation of alternative fuel vehicle infrastructure is **not eligible** for credit.

The credit is subject to a maximum annual credit amount of two million dollars. There is no per person individual credit limit.

## Applying for credits

The credit application is a **3-part approval process** as described below. You may apply for multiple vehicles on the same application.

A separate 3-part application is required for infrastructure-related items, but all infrastructure related items at a single location may be included in a single application provided the required information for each item is included. The Department may require you to submit multiple applications if the project includes purchases of component parts and installation and construction that will take more than one year to complete.

1. **Application:** From your MyDOR account, select **Apply for a tax credit** under the **I want to** menu. You will see hyperlinks for the Status, Part 1, Part 2, and Part 3 of the application process. Once you have started Part 1 of the application, be aware of several critical deadlines necessary to complete the application process.

2. **Notice of Intent:** This step of the application is due 15 days after DOR notifies you regarding whether the credit you are applying for is available. You must take possession of the vehicle or infrastructure component within one year of submitting Part 2; or two years of submitting Part 2 for infrastructure installation or completion of construction.

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3. **Receipt or completion:** 30 days of taking possession of the vehicle or receipt of infrastructure components, completion of construction, or installation of the infrastructure, or the credit will be denied.

If you have already taken possession of the vehicle, infrastructure components, or completed the infrastructure installation or construction, submit your application **within 30 days** of receipt or completion or the credit will be denied.

Final approval of the credit is based on the business's individual annual credit limit and/or statewide credit limits. Credits are available on a first-in-time basis.

## Claiming credits against B&O taxes or PUT due

Once the department notifies you that your application and documentation is accepted, the credit will be available in your excise tax account under Credits. Then, you can apply the credit when electronically filing your returns. You can't apply the same credit to both B&O tax and PUT.

You can only apply the credit to returns for periods after the credit's issue date. For example, you may not apply a credit issued in May 2020 to a Jan. 2020 return.

A business can carry over credit earned during one calendar year and apply it against taxes owed during the following calendar year. However, a credit can't be carried over to a second calendar year. For example, a business who earns a credit in Feb. 2020 can carry it over and apply to taxes due on their Dec. 2021 return, but not to any return periods in calendar year 2022 or later.

## Statewide annual credit limits

The annual statewide limit for all qualifying clean alternative fuel vehicles and infrastructure purchases is \$6 million. Credits will not be issued if the \$2 million statewide annual credit limit for the specific gross vehicle weight category is reached. However, on Sept. 1st of each year, any unused credits from one qualifying category will be made available to applicants applying for credits under another qualifying category. The department processes these applications based on the order they are received.

## Monthly credit updates

The department's [Incentive programs page](#) lists the following monthly credit amount updates:

- credits that others have applied for
- credits the department has issued
- credits that remain from the statewide \$6 million annual limit
- credits that remain from the \$32.5 million program limit

The department applies the credit against the limits for the calendar year based on the possession date of the vehicle or purchase date of the infrastructure and will notify businesses if the request exceeds the available credit limit.

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# Annual Tax Performance Report

Persons receiving this credit are not required to file an Annual Tax Performance Report.

## Definitions

**Alternative fuel vehicle infrastructure** means structures, machinery, and equipment necessary and integral to support a clean alternative fuel vehicle.

**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. The term also includes:

- **private, nonprofit transportation provider** as defined in [RCW 81.66.010](#)
- **charter party carrier** as defined in [RCW 81.70.020](#)
- **paratransit service providers** who primarily provide special needs transportation to individuals with disabilities and the elderly.

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

**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

**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.

**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
- 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.

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## More information

See [RCW 82.04.4496](#)

For information regarding the available statewide credit amount, view the **Renewable Energy/Green Incentives** section at [dor.wa.gov/incentive-programs](http://dor.wa.gov/incentive-programs).

## Questions?

For help completing the application for credit, call the Taxpayer Account Administration Division at 360-705-6214.

For help claiming the credit on your excise tax return, call 360-705-6705.

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