

# Special Notice

*Intended audience: new and used auto dealers and consumers*

**Aug. 19, 2019**

## New clean alternative fuel and plug-in hybrid vehicle sales and use tax exemption

Beginning Aug. 1, 2019, a new law provides a retail sales and use tax exemption on sales and leases of certain clean alternative fuel vehicles and certain plug-in hybrid vehicles. The exemption expires on July 31, 2025.

### Eligible vehicle sales and leases

The sales and use tax exemption applies to new or used passenger cars, light duty trucks, or medium duty passenger vehicles that meet one of the following criteria:

- exclusively powered by a clean alternative fuel
- plug-in hybrid vehicle that can travel at least 30 miles on battery power alone

Department of Licensing (DOL) maintains a [list of eligible vehicles](#) on its website, [dol.wa.gov](#). DOL will review and update the list as needed until the exemption expires.

### Eligible vehicle amounts

	New vehicles	Used vehicles
<b>Sales</b> (selling price)	Up to \$45,000	Up to \$30,000
<b>Leases</b> (fair market value)	Up to \$45,000	Up to \$30,000

The selling price includes delivery charges or any other services necessary to complete the sale (RCW 82.08.010).

Dealers **may not** deduct the value of any trade-in vehicle or any federal tax credits that may accrue to the lessor when determining exemption eligibility.

PO BOX 47478 | OLYMPIA, WASHINGTON 98504-7478 | 360-705-6705 | [dor.wa.gov](#)

For tax assistance or to request this document in an alternate format, visit <http://dor.wa.gov> or call 360-705-6705. Teletype (TTY) users may use the Washington Relay Service by calling 711.

## Vehicle eligibility examples

### Sale of a new vehicle

An auto dealer sells a new vehicle for \$47,000. The buyer has a trade-in vehicle that is valued at \$10,000.

- The sale of the vehicle is **not** eligible for exemption. Only new vehicles that do not exceed the \$45,000 cap amount are eligible.
- The value of the trade-in cannot be deducted from the selling price when determining eligibility. Even though the final cost to the buyer is less than \$45,000 because the auto dealer will count the value of the trade-in against the total amount due on the sale of the vehicle, the vehicle does not qualify for the exemption.

### Lease of a new vehicle

An auto dealer leases a new vehicle. The fair market value at the inception of the lease is \$47,000. The lessee has a trade-in vehicle that is valued at \$10,000.

- The lease of the vehicle is **not** eligible for exemption because the fair market value at the inception of the lease is greater than the \$45,000 cap amount.
- The definition of “fair market value” is the same as “value of the article used.” Value of the article used is defined as the purchase price. Therefore, the value of the trade-in cannot be deducted from the fair market value when determining eligibility.

## How does the exemption work?

### Sales

The exemption applies to all or a portion of the vehicle’s selling price.

### Leases

The exemption applies to all or a portion of the total lease payments. If the original lessee purchases the leased vehicle before the expiration date, the exemption also applies to any additional selling price of the leased vehicle if any allowable exemption remains.

### Exempted amounts

Date of purchase	New vehicles	Used vehicles
Aug. 1, 2019 – July 31, 2021	\$25,000	Total sales price <b>or</b> \$16,000, whichever is less.
Aug. 1, 2021 – July 31, 2023	\$20,000	
Aug. 1, 2023 – July 31, 2025	\$15,000	

PO BOX 47478 | OLYMPIA, WASHINGTON 98504-7478 | 360-705-6705 | [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 360-705-6705. Teletype (TTY) users may use the Washington Relay Service by calling 711.

## Exemption examples— How to calculate retail sales tax

1. A seller sells a vehicle for \$43,000 on Sept. 1, 2021, and does not discount any trade-in value. On this date, the amount eligible for the exemption is \$20,000. The seller will subtract the \$20,000 exemption from the total price of \$43,000, and only charge sales tax on the remaining \$23,000.

Original sale price:	\$43,000
<u>Trade-in value:</u>	<u>-\$0</u>
Updated sale price:	=\$43,000

<u>Exemption:</u>	<u>-\$20,000</u>
Taxable amount:	=\$23,000

2. A seller sells a vehicle for \$43,000 on Sept. 1, 2021, and discounts \$2,000 as the trade-in value of the buyer's old vehicle. On this date, the amount eligible for the exemption is \$20,000. The seller will subtract the \$2,000 trade-in value from the total sales price of \$43,000. Then, they will subtract the \$20,000 exemption from the updated price of \$41,000, and only charge sales tax on the remaining \$21,000.

Original sale price:	\$43,000
<u>Trade-in value:</u>	<u>-\$2,000</u>
Updated sale price:	=\$41,000

<u>Exemption:</u>	<u>-\$20,000</u>
Taxable amount:	=\$21,000

## When does the sales and use tax exemption expire?

### Expiration Dates

For sales of eligible vehicles, the vehicle must be delivered to the buyer between Aug. 1, 2019, and July 31, 2025, to qualify for the exemption.

For leases of eligible vehicles, the lease agreement must be signed on or after Aug. 1, 2019, but on or before July 31, 2025, to qualify for the exemption. Leases that qualify for this tax exemption on or before July 31, 2025, can continue to claim the exemption through July 31, 2028.

## Special information for auto dealers

### Are charges for accessories exempt?

Accessories purchased as part of the purchase of a qualifying vehicle are exempt from sales tax, if the selling price or fair market value of the vehicle, including the charge for the accessories, does not exceed the cap amount.

### Are charges for extended warranties and maintenance agreements exempt?

The sales and use tax exemptions do not extend to the purchase of extended warranties or maintenance agreements. Nor is the purchase included in determining whether a vehicle exceeds the cap amount unless they are required (not optional) as part of the sale.

PO BOX 47478 | OLYMPIA, WASHINGTON 98504-7478 | 360-705-6705 | [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 360-705-6705. Teletype (TTY) users may use the Washington Relay Service by calling 711.

## How do dealers report the sales tax exemption?

Dealers will report the exempt sale by taking a **Sales and Leases of New/Used Clean Alternative Fuel Vehicles** deduction from retail sales tax.

Dealers must submit itemized information when filing the excise tax return for each vehicle for which a deduction is taken during the reporting period. This information must include:

- sale or lease
- new or used
- VIN number
- vehicle make, model and year
- sale or lease start date
- term of lease in months
- monthly lease payment amount
- sales price or fair market value at inception of lease
- deduction amount

An addendum is provided on the electronic return. Dealers filing paper returns may download an addendum from [the department's website](#), or call 360-705-6705 to request the form. This information is required by E2SHB 2042 and will be used by the department to report to the Legislature on the effectiveness of the sales and use tax exemption.

## How are lease payments reported?

The leasing company will report the exempt sale by taking a **Sales and Leases of New/Used Clean Alternative Fuel Vehicles** deduction from retail sales tax. New leases will be reported with the first payment amount and deduction along with details of the lease on the new addendum as part of the excise tax return. Ongoing lease payments must also be reported on the addendum. Leasing companies will need to track the exemption amount allowed for each leased vehicle. The leasing company may spread out the allowable tax exempt amount throughout the life of the lease in whatever manner it chooses so long as the total allowable amount is not exceeded.

## Special information for consumers

### What if I paid retail sales tax in error?

If you believe you have paid retail sales tax in error, you should first seek a refund directly from the seller. However, the department may grant refunds of retail sales tax directly to consumers. Consumers requesting a refund directly from the department must complete the [Green transportation sales tax refund request](#) form.

PO BOX 47478 | OLYMPIA, WASHINGTON 98504-7478 | 360-705-6705 | [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 360-705-6705. Teletype (TTY) users may use the Washington Relay Service by calling 711.

## What if I bought my car out of state or from a private party? Do I still qualify?

Yes, you will still qualify if the vehicle meets the requirements for the exemption.

If use tax was paid to Department of Licensing and you did not get an exemption, you can apply for a refund by filling out the [Application for Refund of Use Tax](#) and mailing it to the address on the form with a copy of your purchase agreement, copy of the title, and proof of tax paid.

If use tax has not yet been paid, the exemption amount may be calculated at the Department of Licensing.

## Definitions

**Fair market value** has the same meaning as “value of the article used” in [RCW 82.12.010](#).

**New vehicle** has the same meaning as “new motor vehicle” in [RCW 46.04.358](#).

**Used vehicle** is defined in [RCW 46.04.660](#).

## More information

Read [Engrossed Second Substitute House Bill 2042](#).

Visit our **Tax Incentives** page under [Renewable Energy/Green Incentives](#).