



Special Notice

WASHINGTON STATE DEPARTMENT OF REVENUE

MAY 11, 2016

Tax credits related to clean alternative fuel commercial vehicles expanded

Starting January 1, 2016, your business is eligible for a credit against the business and occupation (B&O) tax or public utility tax (PUT) if:

- Your business purchases clean alternative fuel commercial vehicles, or
- Your business pays to have a commercial vehicle modified to mainly run on clean alternative fuel

Starting July 1, 2016, your business is also eligible for a B&O tax or PUT credit for leasing clean alternative fuel commercial vehicles. You must be the lessee noted in the lease contract to be eligible for a credit and take receipt of the vehicle on or after July 1, 2016. If your business took receipt of a leased vehicle prior to July 1, 2016, it is not eligible for the credit.

Your credit amounts to part of the purchase or lease price (of a clean alternative fuel commercial vehicle) or the costs to modify one. The available credit is limited statewide to \$6 million annually. The credit may be earned through January 1, 2021, and the credits earned must be used by January 1, 2022 ([RCW 82.04.4496](#) and [82.16.0496](#)).

What types of vehicle purchases and leases are eligible for the credit?

Your business is eligible for a credit on:

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

How must the vehicle be used?

Your business must use the commercial vehicle to transport commodities, merchandise, produce, refuse, freight, or animals. In addition, the vehicle must display a Washington license plate.

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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.

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 or take receipt of a leased vehicle. The application process has three parts and all three parts must be approved for you to earn a credit.

For your business to qualify for a credit on a leased vehicle, you must take receipt of the vehicle on or after July 1, 2016, through January 1, 2021. Credits earned must be used by January 1, 2022.

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 "How is the credit calculated..." below for more information.

A credit earned during one calendar year may be carried over and applied against taxes owed during the following calendar year. However, a credit may not be carried over a second year. For example, a credit you earn in March 2016 may be carried over and applied to taxes due on your December 2017 return, but not to 2018 return periods or later.

How is the credit calculated on vehicle purchases?

1. Find your vehicle's gross weight on the table below. This is the vehicle class.
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 of**:
 - the incremental cost amount, or
 - the maximum credit amount per vehicle purchased or leased.

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	\$5,000	\$2,000,000
14,001 to 26,500 pounds	50% of incremental cost	\$10,000	\$2,000,000
Above 26,500 pounds	50% of incremental cost	\$20,000	\$2,000,000

How is the credit calculated on vehicle leases?

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

How is the credit calculated on modified commercial vehicles?

Your business may receive a credit equal to \$25,000, or 30 percent of modifying 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?

Your business 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). Your credit won't be issued if the \$2 million statewide annual credit limit for your vehicle class is reached. However, on September 1st every year any unused credits from one weight class will be made available to applicants applying for credits under any other weight class.

How can I tell how much annual credit remains?

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

- the amount of credits that have been applied for
- the amount of credits issued
- the amount of credits remaining from the statewide \$6 million annual limit

A credit is counted against the limits for the calendar year in which the credit is earned.

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 *Apply for Commercial Vehicle Credit*

3. Select *Submit application*.

A separate application is required for each vehicle you purchase, lease, or convert. If you do not provide all the information required by DOR, your application will be denied.

Here are your steps in more detail:

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

- 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 type of products will the vehicle be used to transport
- In which state the vehicle will be licensed and registered
- 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 120 days of acceptance of the credit

3. Receipt of Vehicle: From My Account select *Apply for Commercial Vehicle Credit*> *View/continue* with submitted application>*Submit Receipt of Vehicle*. This portion of the application must be filed within 15 days of you receiving the vehicle and must include the following information:

- Incremental cost of the alternative fuel system or costs for conversion
- Date you received the vehicle
- Vehicle Identification Number (VIN)
- Copy of the vehicle's 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 to run on alternative fuel and no other vehicle options, equipment, or costs

Final approval of the application and credit is based 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 by DOR that your final documentation is accepted, the credit will appear in My Account under *Credits*. You may then apply the credit when you electronically file your returns. The same credit may not be applied to both 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 2016 to a January 2016 return.

Credits may be earned through January 1, 2021. Credits earned must be applied to returns filed by January 1, 2022. Credits applied to returns filed after that date will be denied.

Does my business need to file an Annual Tax Incentive Survey or Report?

No.

Definitions

“Commercial vehicle” means any commercial vehicle that is:

- purchased by a private business
- used exclusively in the transportation of commodities, merchandise, produce, refuse, freight, or animals, 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:

1. Has an odometer reading of less than 30,000 miles
2. Is less than two years past its original date of manufacture
3. 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
4. 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, select Tax Incentives, and then [Renewable Energy](#).
- For help completing the application, call the Taxpayer Account Administration Division at 360-902-7175.
- For help claiming the credit, call 1-800-647-7706.
- For bill information, see Substitute House Bill 2884 (Chapter 29, Laws of 2016)