



2024 tax preference review: Alternative fuel vehicles and infrastructure

Legislative Auditor’s conclusion

Alternative fuel vehicles and associated infrastructure increased in Washington. The effect of the preferences is unclear because changes in the market and increased state and federal incentives also influence adoption.

Key points

- The 2019 Legislature created or amended eight tax preferences intended to increase the number of alternative fuel vehicles (AFVs) in Washington.
- The Legislature’s intent has been met: The number of AFVs in Washington has grown 230%, regardless of limits on tax preference eligibility and decreasing exemption amounts. There are more public chargers, zero-emission buses, and alternative fuel commercial vehicles and infrastructure today than in 2019.
- It is not possible to isolate the impact of these preferences on this growth.
- Funding at the state and federal level promoting AFVs, zero-emission buses and associated infrastructure has increased by hundreds of millions of dollars since 2019.
- This review provides the first accounting of the use of these preferences since they were enacted.

Tax detail

Tax type: Multiple taxes
 Estimated beneficiary Savings: \$98 million (2023-25 biennium)
 Expiration date: Varies by preference, either 2025 or when a statutory limit is reached
 RCW: Multiple

Recommendations

The Legislature should determine whether to continue the eight tax preferences, and at what level, before four of them expire in 2025.

The Legislature should consult with the Electric Vehicle Coordinating Council if considering amendments.

Contact

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Additional detail

Eight preferences intended to increase use of alternative fuel vehicles

Three sales and use tax exemptions:

- Alternative fuel vehicles
- Zero-emission buses
- Electric vehicle batteries, fuel cells, and infrastructure

Two B&O tax credits:

- Commercial vehicles
- Infrastructure

Two public utility tax credits:

- Commercial vehicles
- Infrastructure

One leasehold excise tax exemption:

- Lease of public land for electric vehicle infrastructure

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Estimated beneficiary savings in the 2023-25 biennium from all preferences is \$98 million



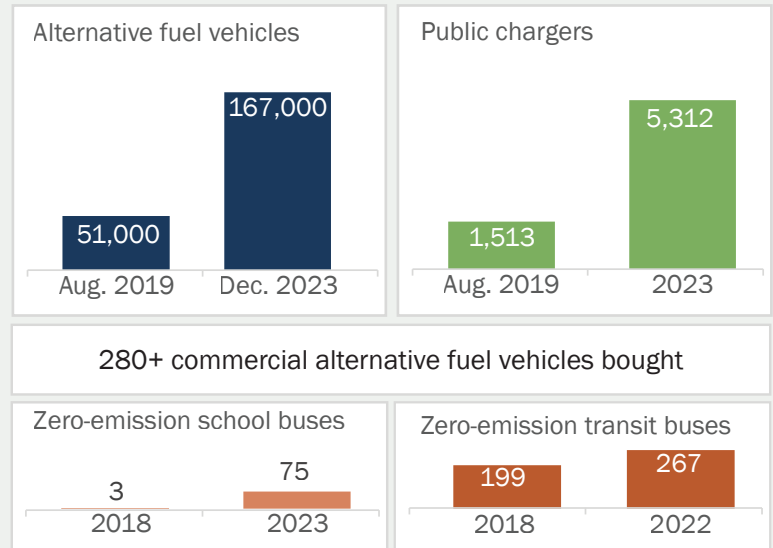
Legislative objective met: Number of AFVs in Washington grew 230%

Statute lowers amount of preference for new vehicles every two years. Value today is 40% less than in 2019.

Statute limits which AFVs are eligible for the preference based on sales price (i.e., up to \$45,000 for new vehicles, \$30,000 for used).

An estimated 73% of AFVs registered in WA since 2019 don't qualify.

There are also more public chargers, zero-emission buses, and alternative fuel commercial vehicles and infrastructure



Effect of preference on these increases is unclear

Since 2019, the Legislature has directed and funded multiple programs to promote electric vehicles and infrastructure

- Created the Electric Vehicle Coordinating Council, which is co-chaired by the Washington Departments of Commerce and Transportation. The council published the state's Transportation Electrification Strategy in January 2024.
- Commerce identifies \$221M in charging and fuel investments and \$301M in on-road vehicle investments.

Federal incentives also encourage use of alternative fuel vehicles, zero-emission buses, and associated infrastructure

- Bipartisan Infrastructure Law (2021) funds electric vehicle charging stations and initiatives for electric school buses and ferries, port electrification, battery production, and battery recycling.
- Federal tax incentives encourage purchase of AFVs.