

Frequently Asked Questions: Alternative Fuel Vehicles and Plug-In Hybrids Tax Exemptions

Summary

DOL has already notified the Department of Revenue (DOR) that the number of qualifying vehicles has exceeded the 7,500 threshold. **This exemption will expire on May 31th, 2018 per DOR.**

The sales and use tax exemptions on sales or leases of new clean alternative fuel vehicles or certain plug-in hybrids changed on July 1, 2016 ([RCW 82.08.809](#) and [82.12.809](#)).

The changes include:

- The tax exemption threshold to a vehicle's base model Manufacturer's Suggested Retail Price (MSRP) increased from \$35,000 to \$42,500 or less.
- The exemptions apply to \$32,000 of a vehicle's selling price or the total lease payments made plus the selling price of the leased vehicle if the original lessee purchases the leased vehicle before the exemption expires.
- The exemption's expiration date is contingent on the number of qualified vehicles titled in Washington on or after July 15, 2015.

Frequently Asked Questions

What qualifies for the sales and use tax exemptions beginning July 1, 2016?

- New passenger cars, light duty trucks, and medium duty passenger vehicles which are:
 - exclusively powered by a clean alternative fuel **or**
 - plug-in hybrids that can travel at least 30 miles on battery power alone
- Vehicles whose lowest base model has a manufacturer's suggested retail price of \$42,500 or less, as determined by the Department of Licensing (DOL)
- Up to \$32,000 of the selling price or total lease payments plus the selling price of the leased vehicle if the original lessee purchases the leased vehicle before the exemption expires
- Eligible vehicles delivered to the buyer or lessee on or after July 1, 2016, and before the exemptions expire in May 31, 2018.

How do I know which vehicles qualify for the exemptions?

DOL maintains a list of qualifying vehicles at:

www.dol.wa.gov/vehicleregistration/altfuelexemptions.html

Will the list include neighborhood electric vehicles?

Certain neighborhood electric vehicles can qualify as “passenger cars” if the vehicle is capable of operating upon a public highway. To be eligible, a vehicle must meet the requirements in [RCW 46.37](#) at the time of sale. The list currently lists vehicles that have previously qualified for the sales/use tax exemption; all other neighborhood electric vehicles will need to be verified on a case-by-case basis by the Department of Licensing at 360.902.3770 or titles@dol.wa.gov.

When do the sales and use tax exemptions expire?

- When the total number of qualifying vehicles titled in Washington on or after July 15, 2015, reaches 7,500 vehicles. The exemptions will expire at the end of the month following the month the limit has been reached.
 - DOL notified the Department of Revenue (DOR) that the number of qualifying vehicles sold to Washington residents exceeded the 7,500 threshold in March, 2018. **According to DOR this exemption expires on May 31th, 2018.**
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How will I know when the exemptions expire?

DOR will post the expiration date on its Tax Incentives web page: <https://dor.wa.gov/find-taxes-rates/tax-incentives/incentive-programs> Look for Renewable Energy/Green Incentives > Clean alternative fuel and plug-In hybrid vehicles - sales/use tax exemptions

How is the exemption applied?

How it's applied depends on where you buy your vehicle. If you buy it from a:

- Washington dealer, they will process the transaction without collecting the exempt taxes.
- Dealer outside of Washington, bring your paperwork to a [vehicle licensing office](#). You won't pay the exempt part of the tax.

For more information check DOR's [Incentive Programs: Deferrals, Exemptions, and Credits](#) page. Look for Renewable Energy/Green Incentives > Clean alternative fuel and plug-In hybrid vehicles - sales/use tax exemptions

Definitions

Clean alternative fuel Natural gas, propane, hydrogen, or electricity, when used as a fuel in a motor vehicle that meets the California motor vehicle emission standards in Title 13 of the California Code of Regulations, effective January 1, 2005, and the rules of the Washington State Department of Ecology.

Light duty truck Any 2000 and subsequent model motor vehicle certified to the standards in Title 13, California Code of Regulations, section 1961 (a)(1) rated at 8,500 pounds gross vehicle weight or less, and any other motor vehicle rated at 6,000 pounds gross vehicle weight or less, which is designed primarily for the purposes of transportation of property or is a derivative of such vehicle, or is available with special features enabling off-street or off-highway operation and use. See WAC 173-423-040(8).

Medium duty passenger vehicle Any medium-duty vehicle with a gross vehicle weight rating of less than 10,000 pounds that is designed primarily for the transportation of persons. The medium-duty passenger vehicle definition does not include any vehicle which:

- a) Is an "incomplete truck," i.e., is a truck that does not have the primary load carrying device or container attached; or
- b) Has a seating capacity of more than twelve persons; or
- c) Is designed for more than nine persons in seating rearward of the driver's seat;
or
- d) Is equipped with an open cargo area of 72.0 inches in interior length or more. A covered box not readily accessible from the passenger compartment will be considered an open cargo area for the purpose of this definition. See WAC 173-423-040(9).

New motor vehicle

Any motor vehicle that:

- Is self-propelled.
- Is required to be registered and titled under Title 46 RCW.
- Has not been previously titled to a retail purchaser or lessee.
- Is not a vehicle which has been sold, bargained, exchanged, given away, or title transferred from the person who first took title to it from the manufacturer or first importer, dealer, or agent of the manufacturer or importer, and used the vehicle so it is "secondhand." See RCW 46.70.011 and 46.04.660.

The model year of the vehicle does not determine whether it meets the definition of "new motor vehicle."

Passenger car

Any motor vehicle designed primarily for transportation of persons and having a design capacity of twelve persons or less. See WAC 173-423-040(13).

Plug-in hybrid

A new vehicle that uses at least one method of propulsion that is capable of being reenergized by an external source of electricity. To be eligible for the exemptions, the vehicle must be capable of traveling at least thirty miles using only battery power.

Qualifying vehicle

A vehicle qualifying for the sales or use tax exemption in which the sale was made or lease agreement signed on or after July 15, 2015 and before the exemption expires.