

FAQ

Frequently Asked Questions about the Clean Fuel Vehicle Sales Tax Exemption

How much is this tax break worth?

Up to about \$3,100. Combined with the \$7,500 federal income tax credit for an electric vehicle (EV) purchase, **that takes over \$10,500 off the price of your next EV!** The new law exempts the first \$32,000 of vehicle sales price from state and local sales tax. Total tax rates for motor vehicle sales vary by local jurisdiction but top out at 9.8%. For more on state + local sales and use tax rates in your area, see http://dor.wa.gov/Docs/forms/ExcsTx/LocSalUseTx/LocalSlisUseFlyer_16_Q2_alpha.pdf

Which cars qualify?

The list of cars includes many exciting mid-market cars with 200 miles range that will be in showrooms very soon.

- [Nissan Leaf*](#)
 - [Chevy Bolt*](#)
 - [Chevy Volt](#)
 - [Mitsubishi i-MiEV](#)
 - [BMW i3](#)
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- [Tesla Model 3*](#)
 - [Ford Focus Electric](#)
 - [Kia Soul Electric](#)
 - [Volkswagen e-Golf](#)
 - [Smart ForTwo Electric](#)
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**Soon to feature 200-mile electric range*

To qualify, a car must be electrically powered or a plug-in hybrid with at least 30 miles of electric range and have a base model MSRP under \$42,500.

Does this tax break apply for re-sales of an EV?

No. It only applies to the first sale. However, due to aggressive depreciation, many used EVs are already quite affordable without a tax break. Used Nissan Leafs coming off leases routinely sell for \$12,000 - \$16,000. For many examples, see

<https://seattle.craigslist.org/search/sss?query=nissan%20leaf&sort=rel>

Do leased cars qualify?

Yes. A leased car is exempt from sales tax on any down payment and monthly payments you make. And leasing companies often factor in the \$7,500 tax credit they get in the lease terms. This could easily save you \$2000 over the course of the lease.



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Do plug-in hybrid cars qualify?

Some do. Cars must have all-electric range of 30 miles or more under state law to qualify. This currently includes Chevy Volt and may include future plug-in hybrids if they have bigger batteries.

What do I have to do to claim the exemption?

Nothing at all. Your car dealer will include the tax break as part of your sale or lease paperwork.

When does the program end?

The earlier of July 1, 2019, or one month after Washington sells 7,500 EVs that qualify for the exemption. We appear likely to reach this cutoff in early 2018, depending on the pace of auto sales.

Why do we have incentives for electric cars?

Electric vehicles have a variety of benefits for the environment and consumers, but the industry needs a boost to scale up manufacturing and bring costs down. EVs currently cost \$10,000 - \$12,000 more than their conventional gas counterparts, and they have more limited range. That situation is changing, as battery prices fall rapidly and the battery capacity gets larger for the same price, weight and volume. So the state and federal incentives are temporary. They help consumers get over the upfront cost of the vehicle so they can enjoy the fuel cost savings – about \$0.85 / “gallon” equivalent on Washington electricity rates. And we can help the climate with much lower carbon emissions and our air quality with no tailpipe emissions of ozone, nitrogen oxides or particulates, which can impact human health.

Isn't this a tax break for rich people?

EVs with 200-mile range and low fueling costs are rapidly entering the mid-market segment of car sales. With the exciting debut of the next-generation Nissan Leaf, the Chevy Bolt, and the Tesla Model 3, driving electric will be affordable to more and more Washington households. It's true that upper-income households have been well represented among the early adopters, but this was true of the hybrid cars like the Toyota Prius a decade ago as well. And now, legions of cab and Uber drivers – working class to be sure – choose the Prius, since it's a reliable workhorse, remarkably efficient, and a compelling total cost of ownership proposition. EVs will make the same transition in the coming years and be a great value for all households.

