

***Technology, Telecommunications
& Energy Committee***

HB 1859

Brief Description: *Exempting electric generating facilities using wind, solar energy, landfill gas, or fuel cells from sales and use taxes.*

Sponsors: *Representatives Poulsen, Crouse, Morris, Casada, DeBolt, Esser, Simpson, B. Chandler, Linville, Delvin, Wood, Conway, Kenney, Santos, Romero, Kessler, Pflug, Rockefeller, Lovick, O'Brien, Darneille, Pearson, Ruderman, McIntire, Anderson, Keiser, Dunn, McDermott, Kagi, Schual-Berke, Campbell, Edmonds and Jackley.*

Brief Summary of Bill

- *Expands the current sales and use tax exemptions for machinery and equipment used directly in generating electricity using wind, solar, or landfill gas to fuel cells and to smaller generation facilities (200 watts or more).*
- *Extends application of the exemption to generators who produce electricity for their own use.*
- *Extends the exemption until June 30, 2009.*

Hearing Date:

Staff: *Pam Madson (786-7166).*

Background:

In 1996, the Legislature provided an exemption from the retail sales and use taxes for machinery and equipment used directly in generating electricity using wind or solar energy. In 1998, the exemption was expanded to include machinery and equipment used in generating electricity from landfill gas. The exemption also includes the installation of the equipment including labor and services. The exemption expires June 30, 2005.

The exemption applies to facilities capable of generating 200 kilowatts (200,000 watts) or

more of electricity.

The phrase used directly– means that the machinery and equipment exempt from the tax must be part of the process of capturing energy from wind, sun, or landfill gas, converting that energy to electricity, and transforming or transmitting the electricity for entry into electric transmission and distribution systems.

The state retail sales tax rate is 6.5 percent and is imposed on the retail sale of most items of tangible personal property and some services. In addition, local sales taxes apply. The combined tax rate is between a minimum of 7 percent and a maximum of 8.6 percent depending on the location of the purchase. Sales tax is paid by the purchaser and collected by the seller. Sales tax revenue is deposited in the state general fund.

Use tax is imposed on the use of an item in this state when the acquisition of the item has not been subject to sales tax. Use tax applies to items purchased from sellers who do not collect sales tax, items acquired from out-of-state, and items produced by the person using the item. Use tax is equal to the sales tax rate multiplied by the value of the property used. Use tax is paid directly to the Department of Revenue. Use tax revenue is deposited in the state general fund.

Summary of Bill:

The current sales and use tax exemption for machinery and equipment for new electrical generation using wind, solar, or landfill gas as a primary power source is expanded to include fuel cells and smaller generation facilities and facilities that use the electricity on site. Smaller facilities are included by lowering the threshold for application of the exemption from 200 kilowatts (200,000 watts) to 200 watts.

Fuels cells are defined as an electrochemical reaction that generates electricity by combining atoms of hydrogen and oxygen in the presence of a catalyst.

The tax exemption is extended through June 30, 2009.

Appropriation: *None.*

Fiscal Note: *Requested on February 12, 2001.*

Effective Date: *The bill contains an emergency clause and takes effect on July 1, 2001.*