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**Technology, Energy & Communications  
Committee**

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**HB 1009**

**Brief Description:** Extending the expiration dates for existing sales and use tax exemptions related to certain electricity generation.

**Sponsors:** Representatives Morris, Chase, Liias, Anderson, Orcutt, Seaquist, Hudgins and Moeller.

**Brief Summary of Bill**

- Extends the sales and use tax exemption for certain renewable energy and fuel cell machinery and equipment to June 30, 2020.

**Hearing Date:** 2/9/09

**Staff:** Scott Richards (786-7156)

**Background:**

**Sales and Use Taxes**

Sales tax is imposed on retail sales of most items of tangible personal property and some services. The use tax is imposed on the same privilege of using tangible personal property or services in instances where the sales tax does not apply. Sales taxes are levied by the state, counties, and cities, and total rates vary from 7 to 8.9 percent. The use tax is paid directly to the Department of Revenue.

**Sales and Use Tax Exemption for Renewable Energy Machinery and Equipment**

A retail sales and use tax exemption applies to the sale or use of machinery and equipment used directly in generating electricity from renewable sources. The qualifying sources are fuel cells, wind, sun, and landfill gas. The exemption also applies to labor and services rendered in respect to the installation of eligible machinery and equipment. The generating facility must be capable of generating at least 200 watts of electricity.

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*This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.*

The exemption expires June 30, 2009.

**Legislative Tax Preference Performance Reviews**

In 2008 the Joint Legislative Audit and Review Committee (JLARC), as part of its tax preference performance review process, estimated the total state and local taxpayer savings related to this tax incentive to be \$26.7 million in the 2008 fiscal year, growing to \$36.4 million by the 2011 fiscal year.

**Summary of Bill:**

The sales and use tax exemptions related to machinery and equipment used directly in generating electricity using fuel cells, wind, sun, or landfill gas as the principal source of power, or to sales of or charges made for labor and services rendered in respect to installing such machinery and equipment is extended to June 30, 2020.

**Appropriation:** None.

**Fiscal Note:** Requested on February 5, 2009.

**Effective Date:** The bill takes effect 90 days after adjournment of the session in which the bill is passed.