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**Technology, Energy & Communications  
Committee**

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**HB 1610**

**Brief Description:** Creating incentives for the use of biomass in renewable energy production.

**Sponsors:** Representatives Takko, Ericks, Kretz, Orcutt, Kessler, Short, Crouse, Blake, Ericksen, Wood, Herrera, Kristiansen, Kenney and Ormsby.

**Brief Summary of Bill**

- Creates a business and occupation (B&O) tax credit for biomass energy powered generation facilities.
- Creates a sale and use tax exemption for sales of forest-derived biomass used to produce electricity, steam, heat, or biofuel.
- Specifies that certain biomass energy powered generation facilities are an eligible renewable resource under the Energy Independence Act (Initiative 937).

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

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

**Background:**

**Energy Independence Act**

Approved by voters in 2006, the Energy Independence Act, also known as Initiative 937, requires electric utilities with 25,000 or more customers to meet targets for energy conservation and for use of eligible renewable resources.

**Eligible Renewable Resource Targets**

Each qualifying utility must use eligible renewable resources or acquire equivalent renewable energy credits, or a combination of both, to meet the following annual targets:

- At least 3 percent of its load by January 1, 2012, and each year thereafter through December 31, 2015;

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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.*

- At least 9 percent of its load by January 1, 2016, and each year thereafter through December 31, 2019; and
- At least 15 percent of its load by January 1, 2020, and each year thereafter.

### **Eligible Renewable Resource**

"Eligible renewable resource" includes wind, solar, geothermal energy, landfill and sewage gas, wave and tidal power, and certain biomass and biodiesel fuels. Electricity produced from an eligible renewable resource must be generated in a facility that started operating after March 31, 1999. The facility must either be located in the Pacific Northwest or the electricity from the facility must be delivered into the state on a real-time basis. Incremental electricity produced from efficiency improvements at hydropower facilities owned by qualifying utilities is also an eligible renewable resource, if the improvements were completed after March 31, 1999.

### **Business and Occupation Tax (B&O)**

The B&O tax is imposed on the gross receipts, income, or sales of a business operating in Washington. The tax rate varies depending on the classification of the business activity.

### **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.

### **Summary of Bill:**

### **Eligible Renewable Resource**

Electricity from a biomass energy powered generation facility located in Washington that commenced operation before March 31, 1999 is included as an eligible renewable resource under the Energy Independence Act.

"Biomass energy" is defined as energy produced from the combustion of: (a) organic byproducts of the pulping process or algae; (b) animal waste; (c) solid organic fuels from wood; (d) forest or field residues; (e) wooden demolition or construction debris; (f) landfill gas or biogas produced from organic matter, wastewater, or anaerobic digesters; or (g) dedicated energy crops. Biomass energy does not include energy produced from the combustion of wood pieces that have been treated with chemical preservatives such as: creosote, pentachlorophenol, copper-chrome-arsenic, wood from old growth forests, or municipal solid waste.

### **Business and Occupation Tax Credit**

Beginning October 1, 2009, harvesters are allowed a credit against their B&O tax of \$30 per harvested green ton of forest- derived biomass sold, transferred, or used for production of electricity, steam, heat, or biofuel.

"Harvested" means the time when the quantity of timber by species is first definitively determined. The amount harvested is determined by the Scribner Decimal C Scale or other prevalent measuring practice adjusted to arrive at substantially equivalent measurements.

"Harvester" is a person who, from the person's own land or from the land of another under a right or license granted by lease or contract, either directly or by contracting with others for the necessary labor or mechanical services, fells, cuts, or takes timber for sale or for commercial or industrial use. When the United States government, the state, or any municipal corporation fells, cuts, or takes timber for sale or for commercial or industrial use, the harvester is the first person, other than these governmental entities, who acquires the timber. The term harvester does not include persons performing under contract the necessary labor or mechanical services for a harvester.

**Sales and Use Tax Exemption**

A retail sales and use tax exemption applies to the sale or use of forest-derived biomass used to produce electricity, steam, heat, or biofuel.

"Biofuel" includes, but is not limited to, biodiesel, ethanol, ethanol blend fuels, renewable liquid natural gas, or liquid compressed natural gas made from biogas.

**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.