

# HOUSE BILL REPORT

## HB 2278

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### As Reported By House Committee On:

Finance

**Title:** An act relating to exempting electric generating facilities powered by landfill gas from sales and use taxes.

**Brief Description:** Exempting electric generating facilities powered by landfill gas from sales and use taxes.

**Sponsors:** Representatives Honeyford and Lisk.

### Brief History:

#### Committee Activity:

Finance: 1/14/98,1/15/98 [DP].

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### HOUSE COMMITTEE ON FINANCE

**Majority Report:** Do pass. Signed by 14 members: Representatives B. Thomas, Chairman; Carrell, Vice Chairman; Mulliken, Vice Chairman; Dunshee, Ranking Minority Member; Dickerson, Assistant Ranking Minority Member; Boldt; Butler; Conway; Mason; Morris; Pennington; Schoesler; Thompson and Van Luven.

**Minority Report:** Do not pass. Signed by 1 member: Representative Kastama.

**Staff:** Rick Peterson (786-7150).

**Background:** The sales tax is imposed on retail sales of most items of tangible personal property and some services. The state tax rate is 6.5 percent and is applied to the selling price of the article or service. In addition, local sales taxes apply. The total tax rate is between 7 percent and 8.6 percent, depending on location. Sales tax applies when items are purchased at retail in state. Sales tax is paid by the purchaser and collected by the seller.

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.

Machinery and equipment used directly in generating electricity using wind or sun energy are exempt from sales and use tax. Installation costs are also exempt. Only facilities capable of generating 200 kilowatts of electricity are eligible for the exemption. The exemption ends June 30, 2005.

**Summary of Bill:** The machinery and equipment sales and use tax exemption for wind and sun energy facilities is extended to facilities using landfill gas.

**Appropriation:** None.

**Fiscal Note:** Available.

**Effective Date:** The bill contains an emergency clause and takes effect immediately.

**Testimony For:** Using landfill gas to generate electricity is environmentally friendly. Currently, landfill gas must be collected and flared off. This bill will encourage the production of electricity with this gas. The emissions from the generators will be less harmful to the atmosphere than releasing the gas. Klickitat County is a distressed area and the proposed project will create 20 full time maintenance jobs once the project is complete.

**Testimony Against:** None.

**Testified:** Representative Jim Honeyford, sponsor; Dave Arbaugh, Klickitat PUD; Tom Svendsen, Klickitat PUD; and Darby Hansen, Klickitat PUD.