

SENATE BILL REPORT

SB 5427

As Reported By Senate Committee On:
Agriculture & Environment, February 20, 1997

Title: An act relating to exempting from taxation remedies and remedial actions regarding hazardous waste.

Brief Description: Exempting from taxation remedies and remedial actions taken regarding hazardous waste.

Sponsors: Senators Swecker, Fraser, Deccio, Morton, Hale, Jacobsen, Hochstatter, McAuliffe, Finkbeiner, Rasmussen, Kohl, Kline, Oke and Roach.

Brief History:

Committee Activity: Agriculture & Environment: 2/19/97, 2/20/97 [DPS-WM].
Ways & Means: 3/10/97.

SENATE COMMITTEE ON AGRICULTURE & ENVIRONMENT

Majority Report: That Substitute Senate Bill No. 5427 be substituted therefor, and the substitute bill do pass and be referred to Committee on Ways & Means.

Signed by Senators Morton, Chair; Swecker, Vice Chair; Fraser, McAuliffe, Newhouse, Oke and Rasmussen.

Staff: Kari Guy (786-7437)

SENATE COMMITTEE ON WAYS & MEANS

Staff: Terry Wilson (786-7433)

Background: The state Model Toxics Control Act, adopted as an initiative in 1988, requires the cleanup of contaminated sites. Sites with hazardous waste contamination must be reported to the Department of Ecology. The department will conduct an initial investigation, followed by a site hazard assessment. If the result of the site hazard assessment shows that the site will require further cleanup action, the site will be placed on the hazardous sites list.

At any point in the investigation and assessment process, a person may choose to conduct an independent cleanup without Department of Ecology oversight. When an independent cleanup is completed, the cleanup results must be reported to the Department of Ecology. Currently approximately 90 percent of site cleanups, mostly leaking underground storage tanks, are conducted independently.

Currently, businesses contracting cleanups at a listed site are charged at the business and occupation tax rate for services; businesses contracting cleanups independently are charged at the lower retailing rate.

In 1989 the Department of Revenue adopted a policy stating that the tax laws of the state should be administered in such a manner as to encourage and facilitate rapid site cleanup. This policy exempts site cleanups from state sales tax on remediation activities. However, the policy applies only to hazardous waste sites that have been listed on the Department of Ecology hazardous sites list. It has been suggested that limiting the tax exemption to listed sites provides a disincentive to clean up sites on a voluntary, independent basis.

Summary of Substitute Bill: The term "retail sale" is amended so that retail sales tax does not apply to the sale of labor or services for environmental remedial action. "Environmental remedial action" includes services related to identification, investigation, or cleanup of hazardous substances, but does not include other actions taken at a hazardous waste site for the purposes of site development. Environmental remedial actions must be consistent with the state Model Toxics Control Act, or other applicable laws.

The business and occupation tax rate for all businesses contracting environmental remedial actions is set at the retailing rate of 0.471 percent.

The owner of a property that is subject to an environmental remedial action must send written notification to the Department of Ecology, and provide a copy of the written notification to each person who conducts environmental remedial actions on the site.

Substitute Bill Compared to Original Bill: It is clarified that services undertaken for the purposes of site development which are unrelated to the identification, investigation, or cleanup of hazardous substances do not qualify for the tax exemption.

The requirement that an affidavit be submitted to the Department of Revenue is deleted; instead, written notification of the cleanup must be submitted to the Department of Ecology and provided to any subcontractors on the site.

Appropriation: None.

Fiscal Note: Available.

Effective Date: Ninety days after adjournment of session in which bill is passed.

Testimony For (Agriculture & Environment): This bill corrects a discriminatory tax policy, and will provide greater incentives for independent cleanups.

Testimony Against (Agriculture & Environment): Local governments oppose further erosion of local sales tax by creation of yet another exemption from sales tax, in an era when demands for services from local government continue to expand.

Testified (Agriculture & Environment): PRO: Dan Ballbach, Landau Association, Inc.; Mary Burg, Ecology; Taryn McCain, The Boeing Company; Jerry Smedes, WA Envir. Ind.

Association; Eric Johnson, WA Public Ports Association; Rod Brown, WA Environmental Council; CON: Sharon Metcalf, Seattle/Assn. of WA Cities.

Testimony For (Ways & Means): None.

Testimony Against (Ways & Means): None.

Testified (Ways & Means): No one.