

HOUSE BILL REPORT

HB 1460

As Reported By House Committee On:
Technology, Telecommunications & Energy

Title: An act relating to exempting electric generating facilities powered by wind or sun energy from sales and use taxes.

Brief Description: Exempting wind or solar energy electric generating facilities from sales and use taxes.

Sponsors: Representatives Poulsen, Crouse, Morris, Reardon, Ruderman, Cooper, DeBolt, Constantine, Wolfe, Kastama, Bush and Wood.

Brief History:

Committee Activity:

Technology, Telecommunications & Energy: 2/10/99, 2/18/99 [DPA].

Brief Summary of Bill

- Expands the current sales and use tax exemptions for machinery and equipment used directly in generating electricity using wind and sun energy by reducing the necessary number of watts generated to qualify for the exemption.
- Extends the sales and use tax exemptions for three additional years.
- Extends the application of this exemption to generators who make power for their own use.

HOUSE COMMITTEE ON TECHNOLOGY, TELECOMMUNICATIONS & ENERGY

Majority Report: Do pass as amended. Signed by 12 members: Representatives Crouse, Republican Co-Chair; Poulsen, Democratic Co-Chair; DeBolt, Republican Vice Chair; Ruderman, Democratic Vice Chair; Bush; Cooper; Kastama; McDonald; Mielke; Morris; Reardon and Wolfe.

Minority Report: Without recommendation. Signed by 1 member: Representative Thomas.

Staff: Anntonnette Alberti (786-7117).

Background:

In 1996, the Legislature exempted machinery and equipment used directly in generating electricity using wind or sun energy (and the costs of installing the equipment and machinery) from sales and use taxes. Only facilities capable of generating 200 kilowatts (200,000 watts) of electricity, such as utility-scale wind turbines, are eligible for the exemption. The exemption is scheduled to expire June 30, 2005.

"Used directly" means that the machinery and equipment must provide some part of the process of capturing energy from the wind or sun, converting that energy to electricity, and transforming or transmitting the electricity for entry into electric transmission and distribution systems.

To receive the sales tax exemption, the purchaser of the equipment must provide the seller with an exemption certificate, the form of which is to be prescribed by the Department of Revenue (DOR) by rule. The purchaser also is to provide the DOR either with a duplicate of the certificate, or a summary of exempt sales, as determined by the DOR.

To receive the use tax exemption, the user must provide the DOR with: (1) an exemption certificate (in a form prescribed by the DOR) within 60 days of first using the machinery and equipment in Washington; or (2) an annual summary listing the machinery and equipment.

The state retail sales 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 rate falls between 7 percent and 8.6 percent depending on the location.

The use tax is imposed on the use of articles of tangible personal property when the sale or acquisition of the property has not been subject to sales tax. The use tax is equal to the sales tax rate multiplied by the value of the property used. The use tax commonly applies to property acquired from out-of-state.

Summary of Amended Bill:

The threshold for generating facilities to qualify for the exemption is reduced from 200 kilowatts (enough energy to light 2000 light bulbs) to 200 watts (enough energy to light two light bulbs), and the sales tax exemption is extended for an additional three years to

June 30, 2009. The use tax exemption is extended for an additional three years to June 30, 2009.

The definition of "used directly" is amended. To qualify for the exemption, the machinery and equipment need only capture, convert, transform, store, or transmit wind or sun energy, or the electricity created from wind or sun energy. The effect of the change is to extend the tax exemption to machinery and equipment installed by consumers who generate electricity for their own use.

The requirement that the DOR adopt a rule to prescribe the form of the sales exemption certificate is eliminated, as is the requirement that the purchaser provide the DOR with a duplicate of the certificate or a summary of exempt sales.

Also eliminated is the requirement that, to receive the use tax exemption, the user must provide the DOR with an exemption certificate within 60 days of first using the machinery and equipment in Washington, or an annual summary listing the machinery and equipment.

Amended Bill Compared to Original Bill:

The amended bill extends the use tax exemption to 2009. In the original bill the use tax exemption was set to expire in 2008.

Appropriation: None.

Fiscal Note: Available.

Effective Date of Amended Bill: The bill takes effect on July 1, 1999.

Testimony For: This bill would give solar generation the economic nudge it needs to compete with the electric grid. There are environmental benefits to solar and wind energy. The photovoltaic industry in Washington is cutting edge, but young, and should be fostered. This industry will bring jobs to Washington state. If other states offer a better tax climate some manufactures may leave Washington. Washington state companies are losing money to Oregon companies and mail order companies that can offer products without sales tax. Out-of-state sales usually mean that the consumer installs the systems, instead of a professional, which leads to less efficiency. Current revenues for sales and use tax revenue related to solar and wind generation equipment and machinery are small, so an exemption will not have a big effect. Solar and wind technologies are helpful to rural communities, where it costs a lot of money to extend the electricity grid. Additionally, more and more people are interested in solar power as a "back-up" form of electricity to improve power reliability.

Testimony Against: None.

Testified: Representative Poulsen, prime sponsor; Jason Keyes, JX Crystals, Inc.; Tom Starrs, Renewable Northwest Project; John L. Mottl, Rainshadow; Danielle Dixon, NW Energy Coalition; Mike Nelson, Wasera; and Sam Vanderhoof, Trace Engineering.