

# SENATE BILL REPORT

## SB 6062

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As Reported By Senate Committee On:  
Ways & Means, February 23, 2000

**Title:** An act relating to a sales and use tax deferral for natural gas-fired energy generating facilities sited in rural areas.

**Brief Description:** Providing a sales and use tax deferral for natural gas-fired energy generating facilities sited in rural areas.

**Sponsors:** Senators Gardner, Spanel, West and Oke.

**Brief History:**

**Committee Activity:** Ways & Means: 2/22/2000, 2/23/2000 [DPS].

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### SENATE COMMITTEE ON WAYS & MEANS

**Majority Report:** That Substitute Senate Bill No. 6062 be substituted therefor, and the substitute bill do pass.

Signed by Senators Loveland, Chair; Fairley, Honeyford, Rasmussen, Roach, Rossi, B. Sheldon, Snyder, Spanel, West, Winsley, Wojahn and Zarelli.

**Staff:** David Schumacher (786-7474)

**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.

In 1999 the various categories of distressed counties— were consolidated into a single category based on population density. Counties with 100 persons per square mile or less are now considered to be rural.— Businesses in these counties are eligible for sales tax and B&O tax incentives. In addition to the business tax incentives, rural counties are allowed to impose a 0.8 percent local sales tax credited against the state sales tax.

**Summary of Substitute Bill:** A sales and use tax deferral is provided for the plant and equipment expenditures of a natural gas fired electric generating facility. To be eligible, the facility must be located in a rural— county and be at least 600 megawatts.

The deferral becomes an outright exemption if the facility stays in operation for at least eight years. (If the facility is in operation for less than eight years, then a sliding scale determines the amount of deferred taxes owed.) The deferral expires July 1,2002.

**Substitute Bill Compared to Original Bill:** The original bill set the threshold at 700 megawatts and had incorrect effective dates.

**Appropriation:** None.

**Fiscal Note:** Available.

**Effective Date:** The bill takes effect on July 1, 2000.

**Testimony For:** The economy is tough in Whatcom County. By reducing the upfront costs, this business will come to Sumas and be a good taxpayer for many years. The increase in assessed value will be great for the school district.

**Testimony Against:** None.

**Testified:** PRO: Darrell Jones, National Energy Systems Co.; Mark Johnson, Nooksack School District; Steve Koch, NW Construction Trades; Allen B. Dorr, WA State Building and Construction Trades.