

# HOUSE BILL REPORT

## HB 1406

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**As Reported by House Committee On:**  
Technology, Telecommunications & Energy

**Title:** An act relating to providing sales and use tax exemptions for air pollution control facilities acquired or installed by a light and power business at thermal electric peaking plants.

**Brief Description:** Providing sales and use tax exemptions for air pollution control facilities acquired or installed by a light and power business at thermal electric peaking plants.

**Sponsors:** Representatives Esser, Poulsen, Crouse, Linville, Kagi, Kenney, Hatfield, Van Luven, Cooper, Campbell, Roach, Bush, Berkey, Miloscia, Rockefeller and Kessler.

**Brief History:**

**Committee Activity:**

Technology, Telecommunications & Energy: 1/31/01, 2/12/01 [DP].

**Brief Summary of Bill**

- Allows a sales and use tax exemption for air pollution control facilities acquired or installed by a light and power business at gas-fired thermal electrical generation facilities placed into service between 1978 and 1984 that are operating subject to pollution control limits.

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### HOUSE COMMITTEE ON TECHNOLOGY, TELECOMMUNICATIONS & ENERGY

**Majority Report:** Do pass. Signed by 14 members: Representatives Crouse, Republican Co-Chair; Poulsen, Democratic Co-Chair; Ruderman, Democratic Vice Chair; Anderson, Berkey, Bush, B. Chandler, Delvin, Esser, Hunt, Mielke, Pflug, Simpson and Wood.

**Minority Report:** Do not pass. Signed by 2 members: Representatives Cooper and Morris.

**Staff:** Pam Madson (786-7166).

**Background:**

The retail sales tax applies to the selling price of tangible personal property and of certain

services purchased at retail. The tax base includes goods and certain services purchased at retail. The tax is levied at a 6.5 percent rate by the state. Cities and counties may levy a local tax at a rate up to a maximum of 3.1 percent; currently, local rates levied range from 0.5 percent to 2.3 percent. Sales tax is paid by the purchaser and collected by the seller.

The use tax is imposed on items used in the state which were not subject to the retail sales tax, and includes purchases made in other states and purchases from sellers who do not collect Washington sales tax. The state and local rates are the same as those imposed under the retail sales tax. Use tax is paid directly to the Department of Revenue.

Facilities that are major sources of air pollution are required to obtain an air operating permit. The permit may set limits on emissions, require monitoring, record keeping, reporting, and other compliance measures.

If a facility emits pollutants into the air but is not required to obtain an air operating permit, that source must register every year with the Department of Ecology or a local air authority. Through the registration process, the levels and types of air pollution from a given source are classified and regulatory requirements relating to air emissions are identified.

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**Summary of Bill:**

A sales and use tax exemption is available for air pollution control facilities acquired and installed at gas-fired electric generating facilities that were placed into service between 1978 and 1984. The generation facility must be operated by a light and power business, and must be registered with the Department of Ecology or a local air authority during 2000 as a source of air pollution. The tax exemption applies to acquisition and installation but does not include charges for operation and maintenance of the facility or the air pollution control facility.

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**Appropriation:** None.

**Fiscal Note:** Available.

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

**Testimony For:** There is a need for additional electrical generating capacity that can come online as quickly as possible. One source of additional generation is the upgrade in pollution control devices for older generation facilities used to supply electricity for peak demand. The operation of these plants is limited by air pollution restrictions. This bill provides an incentive for reducing pollution from these plants that will allow them to run

longer. Four older plants could produce an additional 200 megawatts of electricity. Additional electricity generation also reduces the need to supply power for peak demand from the wholesale electric market providing some rate protection for utility customers. Concern was expressed that any tax exemption be tied to reducing CO2 emissions from these plants since the pollution control devices do not reduce these emissions. Increased emissions will have long term consequences.

**Testimony Against:** None

**Testified:** (In Support) Collins Sprague, Avista Corp.; Mellani Hughes, Association of Washington Business; Tim Boyd, Industrial Customers of Northwest Utilities; Terry Oxley, Puget Sound Energy; and David Danner, Governor's Office.

(Neutral) Danielle Dixon, Northwest Energy Coalition.