

SENATE BILL REPORT

HB 1859

As Reported By Senate Committee On:
Environment, Energy & Water, March 30, 2001
Ways & Means, April 2, 2001

Title: An act relating to exempting electric generating facilities using wind, solar energy, landfill gas, or fuel cells from sales and use taxes.

Brief Description: Exempting electric generating facilities using wind, solar energy, landfill gas, or fuel cells from sales and use taxes.

Sponsors: By Representatives Poulsen, Crouse, Morris, Casada, DeBolt, Esser, Simpson, B. Chandler, Linville, Delvin, Wood, Conway, Kenney, Santos, Romero, Kessler, Pflug, Rockefeller, Lovick, O'Brien, Darneille, Pearson, Ruderman, McIntire, Anderson, Keiser, Dunn, McDermott, Kagi, Schual-Berke, Campbell, Edmonds and Jackley.

Brief History:

Committee Activity: Environment, Energy & Water: 3/22/01, 3/30/01 [DP-WM].
Ways & Means: 4/2/01 [DP].

SENATE COMMITTEE ON ENVIRONMENT, ENERGY & WATER

Majority Report: Do pass and be referred to Committee on Ways & Means.

Signed by Senators Fraser, Chair; Regala, Vice Chair; Eide, Hale, Honeyford, Jacobsen, Morton and Patterson.

Staff: Jim Metropulos (786-7784)

SENATE COMMITTEE ON WAYS & MEANS

Majority Report: Do pass.

Signed by Senators Brown, Chair; Constantine, Vice Chair; Fairley, Vice Chair; Fraser, Hewitt, Honeyford, Kline, Kohl-Welles, Long, Parlette, Rasmussen, Regala, Roach, Rossi, Sheahan, B. Sheldon, Snyder, Spanel, Thibaudeau, Winsley and Zarelli.

Staff: David Schumacher (786-7474)

Background: In 1996, the Legislature provided an exemption from the retail sales and use taxes for machinery and equipment used directly in generating electricity using wind or solar energy. In 1998, the exemption was expanded to include machinery and equipment used in generating electricity from landfill gas. The exemption also includes the installation of the equipment including labor and services. The exemption expires June 30, 2005.

The exemption applies to facilities capable of generating 200 kilowatts (200,000 watts) or more of electricity.

The phrase "used directly" means that the machinery and equipment exempt from the tax must be part of the process of capturing energy from wind, sun, or landfill gas, converting that energy to electricity, and transforming or transmitting the electricity for entry into electric transmission and distribution systems.

The sales tax is paid on each retail sale of most articles of tangible property and certain services. The use tax is imposed on the use of articles of tangible personal property when the sale or acquisition has not been subject to the sales tax. Major items exempt from tax include food for human consumption, prescription drugs, motor vehicle fuel, utility services, professional services, certain business services, and items that become a component part of another product for sale.

Summary of Bill: The sales tax exemption for wind, solar, and landfill gas powered electrical generating facilities is lowered from 200 kilowatts to 200 watts. The sales tax exemption for machinery and equipment is extended by four years to June 30, 2009.

Fuel cells are added to the list of energy sources eligible for a sales and use tax exemption. Fuel cells are defined as electrochemical reactions that generate electricity by combining atoms of hydrogen and oxygen in the presence of a catalyst.

Appropriation: None.

Fiscal Note: Available.

Effective Date: The bill contains an emergency clause and takes effect on July 1, 2001.

Testimony For: This bill would promote energy diversification. This bill would increase the number of small systems using renewable energy sources in order to lower the cost of these systems. It is important to encourage small-scale clean energy facilities during the current energy crisis. We need to promote the technology of fuel cells.

Testimony Against: None.

Testified: Toni Potter, League of Women Voters (pro); Tom Starrs, Renewable Northwest Project (pro); Collins Sprague, Avista (pro); Dave Warren, State Energy Office.