

SENATE BILL REPORT

SB 6660

As Reported By Senate Committee On:
Ways & Means, February 23, 2004

Title: An act relating to allowing light and power businesses to qualify for the manufacturing machinery and equipment sales and use tax exemption.

Brief Description: Allowing light and power businesses to qualify for the manufacturing machinery and equipment sales and use tax exemption.

Sponsors: Senators Hewitt, Doumit, Rasmussen and Murray.

Brief History:

Committee Activity: Ways & Means: 2/4/04, 2/23/04 [DPS].

SENATE COMMITTEE ON WAYS & MEANS

Majority Report: That Substitute Senate Bill No. 6660 be substituted therefor, and the substitute bill do pass.

Signed by Senators Zarelli, Chair; Hewitt, Vice Chair; Parlette, Vice Chair; Carlson, Doumit, Hale, Honeyford, Johnson, Pflug, Prentice, Rasmussen, Roach, Sheahan, B. Sheldon and Winsley.

Staff: Catherine Suter (786-7442)

Background: Sales tax is imposed on retail sales of most items of tangible personal property and some services. The use tax is imposed on the same privilege of using tangible personal property or services in instances where the sales tax does not apply. Sales and use taxes are levied by the state, counties, and cities, and total rates vary from 7 to 8.9 percent.

Machinery and equipment purchased by manufacturers and used in manufacturing processes is exempt from the sales and use tax. Light and power businesses are specifically excluded from the definition of manufacturing processes.

Summary of Substitute Bill: Light and power businesses are no longer excluded from the definition of manufacturing processes and are eligible to claim the machinery and equipment sales and use tax exemption on conversion machinery and equipment installed in new, gas-fired facilities.

Substitute Bill Compared to Original Bill: The machinery and equipment eligible for exemption is narrowed, removing 1) that which stores, transforms, or transmits electricity, 2) labor and services rendered in installing or repairing, eligible machinery, and 3) machinery in facilities that exist as of the effective date.

Appropriation: None.

Fiscal Note: Requested on February 25, 2004.

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

Testimony For: When the manufacturing machinery and equipment sales and use tax exemption was developed in 1995, electricity generation was under rate-of-return generation, so there was no need for an exemption. Now, without this regulation, and as demand grows, new facilities are needed and this incentive is needed. The retail sales tax represents a 10 percent up-front hurdle, at the same time that other costs, such as protracted permitting and environmental mitigation, are increasing. Electricity is the infrastructure of economic growth, and this bill would make financing facilities easier and sooner, providing power for the economy sooner and at a more affordable cost.

Testimony Against: State policy emphasizes renewable sources of electricity, yet this bill extends incentives to conventional sources. Conventional electricity generation should not compete or undermine the previous state policy for renewable resources.

Testified: PRO: Chuck Martin, National Energy; Jim Boldt, Clark PUD; CON: Bill LaBourde, NW Energy Coalition.