
SUBSTITUTE HOUSE BILL 1703

State of Washington

58th Legislature

2003 Regular Session

By House Committee on Technology, Telecommunications & Energy
(originally sponsored by Representatives Anderson, Nixon, Crouse,
Pflug, Priest, Tom, Ericksen, Jarrett and Benson)

READ FIRST TIME 03/05/03.

1 AN ACT Relating to providing tax incentives to promote the
2 production and distribution of electricity from alternative sources of
3 energy; amending RCW 82.08.02567 and 82.12.02567; adding a new section
4 to chapter 82.16 RCW; creating a new section; and providing expiration
5 dates.

6 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

7 NEW SECTION. **Sec. 1.** It is the intent of the legislature to
8 encourage and expand the commercial generation of electrical power from
9 alternative energy sources to meet the long-term energy needs of the
10 state. It is the further intent that incentives provided by the state
11 encourage free-market principles that foster technological innovation
12 and entrepreneurial investment in alternative energy sources. This
13 intent is best served by encouraging commercially viable, independent
14 generators of alternative energy-based electrical power to provide such
15 power to established utility distribution networks.

16 It is also the intent of the legislature that, to promote the use
17 of alternative energy sources for the purpose of electrical generation,
18 tax incentives should be provided in RCW 82.08.02567 and 82.12.02567

1 for the acquisition of certain machinery and equipment to all
2 qualifying sectors of the state economy, including industrial,
3 commercial, and residential.

4 **Sec. 2.** RCW 82.08.02567 and 2001 c 213 s 1 are each amended to
5 read as follows:

6 (1) The tax levied by RCW 82.08.020 shall not apply to sales of
7 machinery and equipment used directly in generating electricity using
8 (~~fuel cells, wind, sun, or landfill gas as the principal source of~~
9 ~~power~~) renewable resources or fuel cells, or to sales of or charges
10 made for labor and services rendered in respect to installing such
11 machinery and equipment(~~(, but only if the purchaser develops with such~~
12 ~~machinery, equipment, and labor a facility capable of generating not~~
13 ~~less than two hundred watts of electricity and provides)). The
14 purchaser must provide the seller with an exemption certificate in a
15 form and manner prescribed by the department. The seller shall retain
16 a copy of the certificate for the seller's files.~~

17 (2) For purposes of this section and RCW 82.12.02567:

18 (a) "Landfill gas" means biomass fuel of the type qualified for
19 federal tax credits under 26 U.S.C. Sec. 29 collected from a landfill.
20 "Landfill" means a landfill as defined under RCW 70.95.030;

21 (b) "Machinery and equipment" means industrial fixtures, devices,
22 and support facilities that are integral and necessary to the
23 generation of electricity using (~~wind, sun, or landfill gas as the~~
24 ~~principal source of power~~) renewable resources or fuel cells;

25 (c) "Machinery and equipment" does not include: (i) Hand-powered
26 tools; (ii) property with a useful life of less than one year; (iii)
27 repair parts required to restore machinery and equipment to normal
28 working order; (iv) replacement parts that do not increase
29 productivity, improve efficiency, or extend the useful life of
30 machinery and equipment; (v) buildings; or (vi) building fixtures that
31 are not integral and necessary to the generation of electricity that
32 are permanently affixed to and become a physical part of a building;

33 (d) Machinery and equipment is "used directly" in generating
34 electricity (~~with fuel cells or by wind energy, solar energy, or~~
35 ~~landfill gas power~~) using renewable resources or fuel cells if it
36 provides any part of the process that captures the energy (~~of the~~
37 ~~wind, sun, or landfill gas~~), converts that energy to electricity, and

1 stores, transforms, or transmits that electricity for entry into or
2 operation in parallel with electric transmission and distribution
3 systems;

4 (e) "Fuel cell" means an electrochemical reaction that generates
5 electricity by combining atoms of hydrogen and oxygen in the presence
6 of a catalyst;

7 (f) "Renewable resources" means wind energy, solar energy,
8 hydroelectric energy, geothermal energy, landfill gas, biomass energy
9 based on animal waste or solid organic fuels from wood, forest, or
10 field residues, or dedicated energy crops that do not include wood
11 pieces that have been treated with chemical preservatives such as
12 creosote, pentachlorophenol, or copper-chrome arsenic.

13 (3) This section expires June 30, ((2009)) 2018.

14 **Sec. 3.** RCW 82.12.02567 and 2001 c 213 s 2 are each amended to
15 read as follows:

16 (1) The provisions of this chapter shall not apply with respect to
17 machinery and equipment used directly in generating ((not less than two
18 hundred watts of)) electricity using ((wind, sun, or landfill gas as
19 the principal source of power)) renewable resources or fuel cells.

20 (2) The definitions in RCW 82.08.02567 apply to this section.

21 (3) This section expires June 30, ((2009)) 2018.

22 NEW SECTION. **Sec. 4.** A new section is added to chapter 82.16 RCW
23 to read as follows:

24 (1) In computing tax under this chapter, a light and power business
25 may deduct from gross income amounts equal to the cost of production
26 from an electrical generating facility using renewable resources or
27 fuel cells.

28 (2) For the purposes of this section, the definitions in RCW
29 82.08.02567 apply.

30 (3) This section expires January 1, 2018.

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