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HOUSE BILL 1703

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State of Washington

58th Legislature

2003 Regular Session

By Representatives Anderson, Nixon, Crouse, Pflug, Priest, Tom, Ericksen, Jarrett and Benson

Read first time 02/05/2003. Referred to Committee on Technology, Telecommunications & Energy.

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, including investor-  
16 owned utilities and public utility districts.

17 It is also the intent of the legislature that, to promote the use  
18 of alternative energy sources for the purpose of electrical generation,  
19 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~~), by central station generation  
9 using renewable resources or by distributive generation, as the  
10 principal source of power, or to sales of or charges made for labor and  
11 services rendered in respect to installing such machinery and  
12 equipment (~~(, but only if the purchaser develops with such machinery,~~  
13 ~~equipment, and labor a facility capable of generating not less than two~~  
14 ~~hundred watts of electricity and provides~~)). The purchaser must  
15 provide the seller with an exemption certificate in a form and manner  
16 prescribed by the department. The seller shall retain a copy of the  
17 certificate for the seller's files.

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

19 (a) (~~("Landfill gas" means biomass fuel of the type qualified for~~  
20 ~~federal tax credits under 26 U.S.C. Sec. 29 collected from a landfill.~~  
21 ~~"Landfill" means a landfill as defined under RCW 70.95.030)~~) "Renewable  
22 resources" has the same meaning as provided in RCW 19.29A.010(26);

23 (b) "Machinery and equipment" means industrial fixtures, devices,  
24 and support facilities that are integral and necessary to the  
25 generation of electricity (~~using wind, sun, or landfill gas~~), by  
26 central station generation using renewable resources or by distributive  
27 generation, as the principal source of power;

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

36 (d) Machinery and equipment is "used directly" in generating  
37 electricity (~~(with fuel cells or by wind energy, solar energy, or~~

1 ~~landfill gas power))~~ if it provides any part of the process that  
2 ~~((captures the energy of the wind, sun, or landfill gas, converts that~~  
3 ~~energy to electricity, and stores, transforms, or transmits that~~  
4 ~~electricity for entry into or operation in parallel with electric~~  
5 ~~transmission and distribution systems))~~ produces electricity by central  
6 station generation using renewable resources or by distributive  
7 generation;

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

11 (f) "Principal source of power" means electricity that is generated  
12 to meet no less than fifty percent of total average electrical load of  
13 a facility;

14 (g) "Distributive generation" means the generation of electricity  
15 from an integrated or stand-alone power plant that has a capacity of  
16 fifty megawatts or less, that generates electricity from wind energy,  
17 solar energy, or fuel cells, and that stores, transforms, or transmits  
18 that electricity for entry into or operation in parallel with electric  
19 transmission and distribution systems.

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

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

23 (1) The provisions of this chapter shall not apply with respect to  
24 machinery and equipment used directly in generating ~~((not less than two~~  
25 ~~hundred watts of))~~ electricity ~~((using wind, sun, or landfill gas)),~~ by  
26 central station generation using renewable resources or by distributive  
27 generation, as the principal source of power.

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

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

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

32 (1) In computing tax under this chapter, a light and power business  
33 may deduct from gross income amounts equal to the following:

34 (a) The cost of the purchase or lease of a facility used for the  
35 distributive generation of electricity that is the principal source of  
36 power for retail electric consumers; and

1           (b) The cost of electrical energy generated from renewable  
2 resources on which construction is begun after July 1, 2003, and before  
3 January 1, 2013.

4           (2) For the purposes of this section, the definitions in RCW  
5 82.08.02567 apply.

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

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