

HOUSE BILL REPORT

2SHB 2799

As Passed Legislature

Title: An act relating to providing tax exemptions for solar hot water systems.

Brief Description: Providing tax exemptions for solar hot water equipment.

Sponsors: By House Committee on Finance (originally sponsored by Representatives Chase, Morris, Crouse, Eickmeyer, Clibborn, P. Sullivan, Hunt, McCoy, Miloscia, Grant, Sells, Williams, McCune, Moeller, Conway, Upthegrove, Morrell, Simpson, Kilmer, Kagi, Hudgins, Dunn and Darneille).

Brief History:

Committee Activity:

Technology, Energy & Communications: 1/26/06 [DPS];

Finance: 2/2/06, 2/6/06 [DP2S(w/o sub TEC)].

Floor Activity:

Passed House: 2/11/06, 95-1.

Passed Senate: 3/8/06, 47-0.

Passed Legislature.

Brief Summary of Second Substitute Bill

- Exempts solar water heating systems and related components from retail sales and use taxes.

HOUSE COMMITTEE ON TECHNOLOGY, ENERGY & COMMUNICATIONS

Majority Report: The substitute bill be substituted therefor and the substitute bill do pass. Signed by 12 members: Representatives Morris, Chair; Kilmer, Vice Chair; Crouse, Ranking Minority Member; Haler, Assistant Ranking Minority Member; Ericks, Hankins, Hudgins, Nixon, P. Sullivan, Sump, Takko and Wallace.

Staff: Scott Richards (786-7156).

HOUSE COMMITTEE ON FINANCE

Majority Report: The second substitute bill be substituted therefor and the second substitute bill do pass and do not pass the substitute bill by Committee on Technology, Energy & Communications. Signed by 11 members: Representatives McIntire, Chair; Hunter, Vice

Chair; Orcutt, Ranking Minority Member; Roach, Assistant Ranking Minority Member; Ahern, Condotta, Conway, Ericks, Hasegawa, Santos and Shabro.

Staff: Mark Matteson (786-7145).

Background:

Solar hot water heaters use the sun to heat either water or a heat-transfer fluid in collectors. The U.S. Department of Energy estimates that a typical solar hot water system will reduce the need for conventional water heating by about two-thirds.

Retail Sales and Use Taxes

Washington State levies and collects a tax on each retail sale in this state equal to 6.5 percent of the selling price. Governing bodies of counties and cities are vesting with additional taxing powers which they may or may not implement. Retail and use tax exemptions codified in Washington code are applicable to both state and local levels, unless noted in applicable sections of the Revised Code of Washington.

Solar Rating and Certification Corporation Standards

The Solar Rating and Certification Corporation (SRCC) is a non-profit organization whose primary purpose is the development and implementation of certification programs and national rating standards for solar energy equipment. The SRCC is an independent third-party certification entity. It is the only national certification program established solely for solar energy products. States such as Arizona, California, Colorado, Hawaii, Illinois, Louisiana, Maryland, Minnesota, Montana, Nevada, Oregon, Pennsylvania, Vermont and Wisconsin require that only SRCC rated solar hot water collectors be installed.

The SRCC operates three solar certification programs: collector certification (OG 100), water heating system certification (OG 300) and a certification program for solar swimming pool heating systems (OG 400). The collector certification program (OG 100) applies to that part of a solar energy system which is exposed to the sun and collects the sun's heat. The solar water heating system certification program (OG 300) deals with the entire solar system (collectors, controls, storage tanks, heat exchangers, pumps, etc.) used to heat domestic hot water using the sun.

Summary of Second Substitute Bill:

Sales Tax Exemption

The OG-300 rated solar water heating systems; the OG-100 rated solar water heating collectors; solar heat exchangers; or differential solar controllers are exempt from state and local retail and use taxes. Also exempt from sales and use taxes are repair and replacement parts for such equipment, or to sales of or charges made for labor and services rendered in respect to installing, repairing, cleaning, altering, or improving such equipment.

Retention of Records

A person taking the sales tax exemption must keep records necessary to verify eligibility. The sales tax exemption is available only when the buyer provides the seller with an exemption certificate in a form and manner prescribed by the Department of Revenue.

Definitions

An "OG-300 rated solar water heating system" means those fully integrated solar water heating systems that have been rated as having met the operational guidelines currently set and listed by the Solar Rating and Certification Corporation.

An "OG-100 rated solar water heating collector" means those collectors that convert light energy to heat and that have been rated as having met the operational guidelines currently set and listed by the Solar Rating and Certification Corporation.

"Solar heat exchanger" means a device that is used to transfer heat from one fluid to another through a separating wall.

"Differential solar controller" means a controlling device that reads and adjusts the temperature at the solar water heating collector and the heated water collection tank.

Effective and Expiration Dates

The retail sales and use tax exemption takes effect July 1, 2006 and expires on July 1, 2009.

Appropriation: None.

Fiscal Note: Available on original bill.

Effective Date: The bill takes effect on July 1, 2006.

Testimony For: (Technology, Energy & Communications) This act includes solar hot water generation to the state's list of alternative energy appliances that qualifies for a retail sales tax exemption. While it does not generate energy, it does save energy. It helps address global warming and dependence on carbon-based fuels. In the home, the top two energy users are home heating and water heating. Solar thermal systems can address these top two energy users in the home. It can help reduce pollutants and carbon dioxide emissions.

Testimony For: (Finance) As we hear about the increasing significance of global warming and the need to be carbon neutral, there are many things that we can do, and this is one of them. Solar hot water tubes like this have demonstrated a reduction in energy load from 40 to almost 100 percent. This system is used in places like the Yukon. It can even heat when the temperatures are 20 degrees below, and only 10 percent efficiency is lost. The technology has been around for 20 years, but up until recently it was not viable because they were unable to find metal that could expand at the same rate as the glass.

The enactment of solar energy production-based incentives last year demonstrates a commitment toward renewable energy in this state. Under current law, sales tax does not apply to solar electric equipment or to other electricity-generating equipment fueled by wind, fuel cells, or other alternative fuel sources. However, there is no exemption for equipment that generates heat energy from renewable resources. The two activities in the home that consume the most energy are the heating of the home itself, and the heating of hot water. Extending the sales tax exemption to solar heating systems makes sense for several reasons. Solar heating systems can help to heat the home and to generate hot water. Also, a solar hot water system, if replacing a conventional electric hot water system, can reduce the equivalent

of 40 to almost 100 percent of the carbon dioxide emissions of a motor vehicle. Nitrous oxides and sulfur dioxides may also be reduced. If even a small percentage of our houses, not including commercial buildings, use these systems, it would be a great boon to this industry and associated jobs.

Testimony Against: (Technology, Energy & Communications) None.

Testimony Against: (Finance) None.

Persons Testifying: (Technology, Energy & Communications) Representative Chase, prime sponsor; and Larry Owens, Solar Washington and Shoreline Solar Project.

Persons Testifying: (Finance) Representative Chase, prime sponsor; and Larry Owens, Shoreline Solar Projects and Solar Washington.

Persons Signed In To Testify But Not Testifying: (Technology, Energy & Communications) None.

Persons Signed In To Testify But Not Testifying: (Finance) None.