
**Technology, Energy &
Communications Committee**

HB 1013

Brief Description: Imposing real estate excise taxes on components of certain electrical generation facilities.

Sponsors: Representative Morris.

Brief Summary of Bill

- Imposes an additional state real estate excise tax of 0.25 percent beginning in 2006 on sales of new gas-fired electrical generation facilities that received site certification before July 1, 2005.
- Subjects sales of components of new-gas fired electrical generation facilities to state and local real estate excise taxes and exempts such sales from retail sales and no taxes.

Hearing Date: 1/20/05

Staff: Mark Matteson (786-7145).

Background:

Energy facility siting. New major energy facilities are required to meet a number of requirements before being sited, constructed, and put into operation in Washington State. For non-hydroelectric facilities, these requirements are overseen by the Washington State Energy Facility Site Evaluation Council (Council). The Council coordinates all of the evaluation and licensing steps for siting such facilities in Washington. A preliminary site study may be done prior to starting the certification process to assess whether to proceed with an application. The Council is responsible for evaluating applications to ensure that all environmental and socioeconomic impacts are considered before a site is approved. After evaluating an application, the Council submits a recommendation to the Governor. If the Governor signs the Site Certification Agreement, the project may proceed.

Even if a project receives site certification, energy facility construction and ultimate placement into operation may not occur. A number of factors, including the expected economic return on investment, influence the decision to ultimately proceed with such a project. Currently, there are four projects for which the Council issued site certification several years ago but for which construction has not begun or has been suspended: the Northwest Regional Power Facility in Lincoln County; the Satsop Combustion Turbine Project in Elma; the Sumas Energy 2 Generation

Facility in Sumas; and the Wallula Power Project in Walla Walla County. Recently, the BP Cherry Point Cogeneration project in Whatcom County also received site certification.

Real estate excise tax. The real estate excise tax is imposed on each sale of real property. Real property includes any interest in land or anything affixed to land. The state tax rate is 1.28 percent. Additional local rates are allowed. The combined state and local rate in most areas is 1.78 percent or less. The highest rate is 2.78 percent in the City of Friday Harbor.

The real estate excise tax applies when a sale occurs. A sale is defined as any transfer of the ownership of or title to real property, or any transfer of a controlling interest in a corporation or other entity that owns real property. A controlling is 50 percent or more of the voting power of the stock of a corporation, or 50 percent or more of capital, profits, or beneficial interest in a partnership, association, trust, or other entity.

Summary of Bill:

An additional state real estate excise tax at a rate of 0.25 percent is imposed on sales of new gas turbine electrical generation facilities beginning in January 2006. The tax applies to gas turbine electrical generation facilities that received site certification under the Energy Facility Site Evaluation Council certification process before July 1, 2005 and that are not placed into operation until 2006.

For the purposes of all state and local real estate excise taxes, real property includes components of gas turbine electrical generation facilities. This modification subjects all sales of such components to the real estate excise taxes and exempts such sales from the retail sales and use taxes.

Appropriation: None.

Fiscal Note: Requested on January 13, 2005.

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