

SENATE BILL REPORT

ESB 6129

As Passed Senate, April 23, 2005

Title: An act relating to providing incentives to industry and consumers to promote renewable energy.

Brief Description: Promoting renewable energy.

Sponsors: Senators Poulsen and Morton.

Brief History: Passed Senate: 4/23/05, 48-0.

SENATE

Staff: Richard Rodger (786-7461)

Background: A recent report by the Washington State University Energy Program recognized the solar electric industry as one of the state's important growth industries. The businesses in this industry have been increasingly expanding and relocating their operation elsewhere. The report indicates that additional incentives for the solar electric industry are needed in recognition of the unique forces and issues involved in business decisions in this industry.

Summary of Bill: Investment cost recovery incentives are authorized to support renewable energy projects. Individuals, businesses, or local governments who generate electricity, on their own property, with an anaerobic digester or a wind or solar energy system may apply to their light and power business for the incentive payment.

The applicants must submit a request for a system certification to the Department of Revenue (department) and the Climate and Rural Energy Development Center at Washington State University (WSU). The department must advise the applicant whether their system qualifies for the incentive program. The department may consult with the climate center in making its decision on eligibility.

The incentive is calculated off a base rate of 15 cents for each kilowatt hour of energy produced. That rate is adjusted based on where the equipment or components were manufactured. The incentive rate is multiplied by the following factors:

- 1) for customer-generated electricity produced using solar modules manufactured in Washington State: two and four-tenths;
- 2) for customer-generated electricity produced using a solar or a wind generator equipped with an inverter manufactured in Washington State: one and two-tenths;
- 3) for customer-generated electricity produced by an anaerobic digester, other solar, or by using a wind generator equipped with blades manufactured in Washington State: one; and
- 4) for all other customer-generated electricity produced wind: eight-tenths.

The payments are capped at \$2,000 per year for each individual, household, business, or local government.

The following tax incentives are provided for solar energy system manufacturers or manufacturers of silicon components of such systems that locate in a rural county, defined as a county with less than four people per square mile:

- a sales tax exemption for the construction of new buildings;
- a use tax exemption on tangible personal property incorporated into the project;
- a B&O tax job credit of \$3,000 for each full-time manufacturing production position; and
- a property tax exemption on the machinery and equipment used in manufacturing.

No application for any of the tax incentives is necessary, except for the property tax exemption which must be filed with the appropriate county assessor. Businesses claiming exemptions or credits under this program must file annual reports with the Department of Revenue. A person claiming a B&O tax job credit, under existing law, for qualified employment positions in a rural county or for employment positions for the manufacturing of semiconductors cannot also receive the B&O tax job credit under this act.

Appropriation: None.

Fiscal Note: Not requested.

Committee/Commission/Task Force Created: No.

Effective Date: The bill contains an emergency clause and takes effect on July 1, 2005.