

SENATE BILL REPORT

SB 6298

As Reported By Senate Committee On:
Water, Energy & Environment, January 31, 2006

Title: An act relating to tax incentives to promote use of renewable fuels.

Brief Description: Providing tax incentives to promote the use of renewable fuels.

Sponsors: Senators Mulliken, Benton, Oke, Deccio, Benson, Carrell, Pflug, Schmidt, Schoesler, Esser, Honeyford and Parlette.

Brief History:

Committee Activity: Water, Energy & Environment: 1/25/06, 1/31/06 [DP, w/oRec].

SENATE COMMITTEE ON WATER, ENERGY & ENVIRONMENT

Majority Report: Do pass.

Signed by Senators Poulsen, Chair; Rockefeller, Vice Chair; Morton, Ranking Minority Member; Delvin, Fraser, Honeyford, Mulliken and Pridemore.

Minority Report: That it be referred without recommendation.

Signed by Senator Regala.

Staff: Margaret King (786-7416)

Background: Fuels. Biodiesel is a non-petroleum diesel fuel produced from renewable resources such as vegetable oils, animal fats, and recycled cooking oils. It can be blended at any percentage with petroleum diesel or used as a pure product (neat diesel) and is less of an air pollutant than petroleum diesel. Like petroleum diesel, biodiesel operates in compression-ignition engines. According to the United State Department of Energy, biodiesel blends of up to 20 percent biodiesel can be used in nearly all diesel equipment with little or no engine modifications. Higher blends can also be used in many engines built since 1994 with little or no engine modification.

Alcohol fuels are made from crops such as corn and sugar cane, and waste products such as waste paper, grasses, or tree trimmings. Ethanol is one type of alcohol fuel used in vehicles, and it is currently blended, 10 percent ethanol and 90 percent gasoline and sold because it is seasonally required in some districts to decrease air pollutants. Ethanol is also being blended and sold for light-duty flex fuel vehicles. The most popular blend is known as E85, which is 85 percent ethanol and 15 percent gasoline. Heavy-duty trucks typically use E95 (ethanol blended with five percent unleaded gasoline) and E93 (ethanol blended with five percent methanol and two percent kerosene).

Retail Sales and Use Taxes. The state retail sales tax rate is 6.5 percent and is imposed on the retail sale of most items of tangible personal property and some services. Sales tax is paid by

the purchaser and collected by the seller. Sales tax revenue is deposited in the State General Fund.

The use tax is imposed on the use of an item in this state when the acquisition of the item has not been subject to sales tax. The use tax applies to items purchased from sellers who do not collect sales tax, items acquired from out-of-state, and items produced by the person using the item. Use tax is equal to the sales tax rate multiplied by the value of the property used. Use tax is paid directly to the Department of Revenue. Use tax revenue is deposited in the State General Fund.

Summary of Bill: The bill exempts from the state retail sales and use tax the sale of parts and services needed to modify motor vehicles to use biodiesel or ethanol fuels of an 85 percent concentration or higher.

Appropriation: None.

Fiscal Note: Available.

Committee/Commission/Task Force Created: No.

Effective Date: The bill contains an emergency clause and takes effect immediately.

Testimony For: Alternative renewable fuels is something that farmers have been doing. This bill provides an incentive to use such fuels.

Testimony Against: None.

Who Testified: PRO: Senator Mulliken, prime sponsor.