

SENATE BILL REPORT

SB 6503

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

Title: An act relating to tax incentives for the generation of electricity using renewable resources.

Brief Description: Providing tax incentives for the generation of electricity using renewable resources.

Sponsors: Senators Finkbeiner, Poulsen, Morton, Esser, Jacobsen, Kohl-Welles, Schmidt, Parlette, Rasmussen, Kline and Keiser.

Brief History:

Committee Activity: Water, Energy & Environment: 1/25/06, 1/31/06 [DPS-WM].

SENATE COMMITTEE ON WATER, ENERGY & ENVIRONMENT

Majority Report: That Substitute Senate Bill No. 6503 be substituted therefor, and the substitute bill do pass and be referred to Committee on Ways & Means.

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

Staff: Margaret King (786-7416)

Background: Sales tax is imposed on retail sales of most items of tangible personal property and some services. The use tax is imposed on the same privilege of using tangible personal property or services in instances where the sales tax does not apply. Examples of such instances include purchases made in other states and purchases from sellers who do not collect Washington sales tax. Sales and use taxes are levied by the state, counties, and cities. Rates vary between 7 and 8.9 percent, depending on location in the state. Use tax is paid directly to the Department of Revenue.

In 1996, the Legislature provided an exemption from the retail sales and use taxes for machinery and equipment used directly to generate at least 200 kilowatts (200,000 watts) of electricity using wind or solar energy, and in 1998, expanded the exemption to include landfill gas as a power source. In 2001, the Legislature amended the law to lower the electricity generation threshold to 200 watts and to include fuel cells as a power source. The sales tax exemption for machinery and equipment installed by consumers who generate electricity by listed uses of alternative energy sources was extended to June 30, 2009. In 2004, the Legislature clarified that machinery and equipment used directly to generate at least 200 watts of electricity are exempt from the use tax as well as the sales tax.

Summary of Substitute Bill: An exemption is provided from the retail sales and use taxes for machinery and equipment used directly to generate at least 200 watts of electricity using qualified hydropower.

Definition of qualified hydropower is added to the sales and use tax exemption provisions.

Qualified hydropower is defined as the energy produced either: (a) as a result of modernizations or upgrades made after June 1, 1998, to hydropower facilities operating on May 8, 2001, that have been demonstrated to reduce the mortality of anadromous fish, or (b) by municipal water supply, run of the river, or run of the canal hydropower facilities that are not responsible for obstructing the passage of anadromous fish. This definition adds municipal water supply to the current state code definition of qualified hydropower.

The current sales and use tax exemptions for machinery and equipment installed by consumers who use the equipment directly to generate electricity using listed uses of alternative energy sources are extended from June 30, 2009, to June 30, 2014.

Substitute Bill Compared to Original Bill: Removes biodiesel from the exemption from the retail sales and use taxes.

Appropriation: None.

Fiscal Note: Available.

Committee/Commission/Task Force Created: No.

Effective Date: Ninety days after adjournment of session in which bill is passed.

Testimony For: None.

Testimony Against: None.

Who Testified: No one.