
ENGROSSED SENATE BILL 6129

State of Washington

59th Legislature

2005 Regular Session

By Senators Poulsen and Morton

Read first time 04/20/2005. Referred to .

1 AN ACT Relating to providing incentives to industry and consumers
2 to promote renewable energy; adding a new section to chapter 82.16 RCW;
3 adding a new section to chapter 82.08 RCW; adding a new section to
4 chapter 82.12 RCW; adding a new section to chapter 82.04 RCW; adding a
5 new section to chapter 84.36 RCW; providing an effective date;
6 providing an expiration date; and declaring an emergency.

7 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

8 NEW SECTION. **Sec. 1.** A new section is added to chapter 82.16 RCW
9 to read as follows:

10 (1) Any individual, business, or local governmental entity, not in
11 the light and power business or in the gas distribution business, may
12 apply to the light and power business serving the situs of the system,
13 each fiscal year beginning on July 1, 2005, for an investment cost
14 recovery incentive for each kilowatt-hour from a customer-generated
15 electricity renewable energy system installed on its property. No
16 incentive may be paid for kilowatt-hours generated before July 1, 2005,
17 or after June 30, 2015.

18 (2)(a) Before submitting for the first time the application for the
19 incentive allowed under this section, the applicant shall submit to the

1 department of revenue and to the climate and rural energy development
2 center at the Washington State University, established under RCW
3 28B.30.642, a certification in a form and manner prescribed by the
4 department that includes, but is not limited to, the following
5 information:

6 (i) The name and address of the applicant and location of the
7 renewable energy system;

8 (ii) The applicant's tax registration number;

9 (iii) That the electricity produced by the applicant meets the
10 definition of "customer-generated electricity" and that the renewable
11 energy system produces electricity with:

12 (A) Any solar inverters and solar modules manufactured in
13 Washington state;

14 (B) A wind generator powered by blades manufactured in Washington
15 state;

16 (C) A solar inverter manufactured in Washington state;

17 (D) A solar module manufactured in Washington state; or

18 (E) Solar or wind equipment manufactured outside of Washington
19 state;

20 (iv) That the electricity can be transformed or transmitted for
21 entry into or operation in parallel with electricity transmission and
22 distribution systems;

23 (v) The date that the renewable energy system received its final
24 electrical permit from the applicable local jurisdiction.

25 (b) Within thirty days of receipt of the certification the
26 department of revenue shall advise the applicant in writing whether the
27 renewable energy system qualifies for an incentive under this section.
28 The department may consult with the climate and rural energy
29 development center to determine eligibility for the incentive. System
30 certifications and the information contained therein are subject to
31 disclosure under RCW 82.32.330(3)(m).

32 (3)(a) By August 1st of each year application for the incentive
33 shall be made to the light and power business serving the situs of the
34 system by certification in a form and manner prescribed by the
35 department that includes, but is not limited to, the following
36 information:

37 (i) The name and address of the applicant and location of the
38 renewable energy system;

1 (ii) The applicant's tax registration number;

2 (iii) The date of the letter from the department of revenue stating
3 that the renewable energy system is eligible for the incentives under
4 this section;

5 (iv) A statement of the amount of kilowatt-hours generated by the
6 renewable energy system in the prior fiscal year.

7 (b) Within sixty days of receipt of the incentive certification the
8 light and power business serving the situs of the system shall notify
9 the applicant in writing whether the incentive payment will be
10 authorized or denied. The business may consult with the climate and
11 rural energy development center to determine eligibility for the
12 incentive payment. Incentive certifications and the information
13 contained therein are subject to disclosure under RCW 82.32.330(3)(m).

14 (c)(i) Persons receiving incentive payments shall keep and
15 preserve, for a period of five years, suitable records as may be
16 necessary to determine the amount of incentive applied for and
17 received. Such records shall be open for examination at any time upon
18 notice by the light and power business that made the payment or by the
19 department. If upon examination of any records or from other
20 information obtained by the business or department it appears that an
21 incentive has been paid in an amount that exceeds the correct amount of
22 incentive payable, the business may assess against the person for the
23 amount found to have been paid in excess of the correct amount of
24 incentive payable and shall add thereto interest on the amount.
25 Interest shall be assessed in the manner that the department assesses
26 interest upon delinquent tax under RCW 82.32.050.

27 (ii) If it appears that the amount of incentive paid is less than
28 the correct amount of incentive payable the business may authorize
29 additional payment.

30 (4) The investment cost recovery incentive may be paid fifteen
31 cents per economic development kilowatt-hour unless requests exceed the
32 amount authorized for credit to the participating light and power
33 business. For the purposes of this section, the rate paid for the
34 investment cost recovery incentive may be multiplied by the following
35 factors:

36 (a) For customer-generated electricity produced using solar modules
37 manufactured in Washington state, two and four-tenths;

1 (b) For customer-generated electricity produced using a solar or a
2 wind generator equipped with an inverter manufactured in Washington
3 state, one and two-tenths;

4 (c) For customer-generated electricity produced using an anaerobic
5 digester, or by other solar equipment or using a wind generator
6 equipped with blades manufactured in Washington state, one; and

7 (d) For all other customer-generated electricity produced by wind,
8 eight-tenths.

9 (5) No individual, household, business, or local governmental
10 entity is eligible for incentives for more than two thousand dollars
11 per year.

12 (6) If requests for the investment cost recovery incentive exceed
13 the amount of funds available for credit to the participating light and
14 power business, the incentive payments shall be reduced
15 proportionately.

16 (7) The climate and rural energy development center at Washington
17 State University energy program may establish guidelines and standards
18 for technologies that are identified as Washington manufactured and
19 therefore most beneficial to the state's environment.

20 (8) The environmental attributes of the renewable energy system
21 belong to the applicant, and do not transfer to the state or the light
22 and power business upon receipt of the investment cost recovery
23 incentive.

24 NEW SECTION. **Sec. 2.** A new section is added to chapter 82.08 RCW
25 to read as follows:

26 (1) The tax levied by RCW 82.08.020 shall not apply to charges made
27 for labor and services rendered in respect to the constructing of
28 investment projects, and tangible personal property that will be
29 incorporated as an ingredient or component of investment projects
30 during the course of constructing, either of which is used for the
31 manufacture of solar energy systems using photovoltaic modules into a
32 solar energy system or for the manufacture of silicon components of
33 such systems, located in a rural county. The exemption is available
34 only when the buyer provides the seller with an exemption certificate
35 in a form and manner prescribed by the department. The seller shall
36 retain a copy of the certificate for the seller's files.

1 (2) To be eligible under this section the person must use the
2 investment project for the manufacturing of solar energy systems using
3 photovoltaic modules into a solar energy system or silicon components
4 of such systems for an eight-year period, such period beginning the day
5 the investment project commences commercial production, or a portion of
6 tax otherwise due shall be immediately due and payable pursuant to
7 subsection (3) of this section:

8 (a) Before commencing commercial production at the investment
9 project, the person must meet with the department to determine the date
10 on which commercial production commences. This date shall be used
11 throughout the eight-year period to determine whether any tax is to be
12 repaid. This information is not subject to the confidentiality
13 provisions of RCW 82.32.330.

14 (b) No application is necessary for the tax exemption. The person
15 is subject to all the requirements of chapter 82.32 RCW. A person
16 taking the exemption under this section must report as required under
17 RCW 82.32.--- (section 4, Engrossed Second Substitute Senate Bill No.
18 5111).

19 (3) If the investment project is not used for manufacturing solar
20 energy systems using photovoltaic modules or silicon components of such
21 systems for any one calendar year, one-eighth of the exempt sales and
22 use taxes shall be due and payable by April 1st of the following year.
23 The department shall assess interest, but not penalties, on the taxes
24 for which the person is not eligible. The interest shall be assessed
25 at the rate provided for delinquent excise taxes under this chapter,
26 retroactively to the date the exemption was claimed, and shall accrue
27 until the taxes for which the exemption was claimed are repaid.

28 (4) The definitions in this subsection apply throughout this
29 section.

30 (a) "Commencement of commercial production" is deemed to have
31 occurred when the equipment and process qualifications in the
32 investment project are completed and production for sale has begun.

33 (b) "Investment project" means an investment in qualified buildings
34 or qualified machinery and equipment, including labor and services
35 rendered in the planning, installation, and construction of the
36 project. An investment project does not include any portion of an
37 investment project undertaken by a light and power business as defined

1 in RCW 82.16.010(5), other than that portion of a cogeneration project
2 that is used to generate power for consumption within the manufacturing
3 site of which the cogeneration project is an integral part.

4 (c) "Manufacturing" means the same as defined in RCW 82.04.120.

5 (d) "Qualified buildings" means construction of new structures
6 including parking facilities, and expansion or renovation of existing
7 structures, for the purpose of increasing floor space or production
8 capacity used for manufacturing, including plant offices and warehouses
9 or other facilities for the storage of raw material or finished goods
10 if such facilities are an essential or an integral part of a factory,
11 mill, or plant, used for manufacturing. If a building is used partly
12 for manufacturing and partly for other purposes, the applicable tax
13 exemption shall be determined by apportionment of the costs of
14 construction under rules adopted by the department.

15 (e) "Qualified machinery and equipment" means all new industrial
16 fixtures, equipment, and support facilities that are an integral and
17 necessary part of a manufacturing operation. "Qualified machinery and
18 equipment" includes manufacturing components such as belts, pulleys,
19 shafts, and moving parts; molds, tools, and dies; operating structures;
20 and all equipment used to control or operate the machinery.

21 (f) "Rural county" means a county with a population density of
22 fewer than four persons per square mile.

23 (g) "Solar energy system" has the same meaning as provided in RCW
24 82.04.--- (section 2, Engrossed Second Substitute Senate Bill No.
25 5111).

26 (5) No exemption may be taken after June 30, 2014, however all of
27 the eligibility criteria and limitations are applicable to any
28 exemptions claimed before that date.

29 NEW SECTION. **Sec. 3.** A new section is added to chapter 82.12 RCW
30 to read as follows:

31 (1) The provisions of this chapter do not apply with respect to the
32 use of tangible personal property that will be incorporated as an
33 ingredient or component of investment projects, either of which is used
34 for the manufacture of solar energy systems using photovoltaic modules
35 into a solar energy system or for the manufacture of silicon components
36 of such systems, located in a rural county, as defined in section 2 of
37 this act, during the course of constructing such investment projects or

1 to labor and services rendered in respect to installing, during the
2 course of constructing, building fixtures not otherwise eligible for
3 the exemption under RCW 82.08.02565(2)(b).

4 (2) The eligibility requirements, conditions, and definitions in
5 section 2 of this act apply to this section.

6 (3) No exemption may be taken after June 30, 2014, however all of
7 the eligibility criteria and limitations are applicable to any
8 exemptions claimed before that date.

9 (4) This section expires June 30, 2014.

10 NEW SECTION. **Sec. 4.** A new section is added to chapter 82.04 RCW
11 to read as follows:

12 (1) Subject to the limits and provisions of this section, a credit
13 is authorized against the tax otherwise due under RCW 82.04.---
14 (section 2, Engrossed Second Substitute Senate Bill No. 5111) for each
15 full-time employment position created by persons engaged in the
16 business of manufacturing solar energy systems using photovoltaic
17 modules into a solar energy system or the manufacturing of silicon
18 components of such systems. For the purposes of this section "solar
19 energy system" has the same meaning as provided in RCW 82.04.---
20 (section 2, Engrossed Second Substitute Senate Bill No. 5111).

21 (2)(a) The credit under this section shall equal three thousand
22 dollars for each full-time employment position used in manufacturing
23 process that takes place in investment projects exempt from sales and
24 use tax under sections 2 and 3 of this act. A credit is earned for the
25 calendar year a person fills a position. Additionally a credit is
26 earned for each year the position is maintained over the subsequent
27 consecutive years, up to eight years. Those positions that are not
28 filled for the entire year are eligible for fifty percent of the credit
29 if filled less than six months, and the entire credit if filled six
30 months or more.

31 (b) To qualify for the credit, the manufacturing activity of the
32 person must be conducted at an investment project that qualifies for
33 the exemption from sales and use tax under sections 2 and 3 of this
34 act.

35 (3) No application is necessary for the tax credit. The person is
36 subject to all of the requirements of chapter 82.32 RCW. In no case

1 may a credit earned during one calendar year be carried over to be
2 credited against taxes incurred in a subsequent calendar year. No
3 refunds may be granted for credits under this section.

4 (4) If at any time the department finds that a person is not
5 eligible for tax credit under this section, the amount of taxes for
6 which a credit has been claimed shall be immediately due. The
7 department shall assess interest, but not penalties, on the taxes for
8 which the person is not eligible. The interest shall be assessed at
9 the rate provided for delinquent excise taxes under chapter 82.32 RCW,
10 shall be retroactive to the date the tax credit was taken, and shall
11 accrue until the taxes for which a credit has been used are repaid.

12 (5) A person taking the credit under this section must report under
13 RCW 82.32.--- (section 4, Engrossed Second Substitute Senate Bill No.
14 5111).

15 (6) Credits may be taken after July 1, 2005, for those investment
16 projects at which commercial production began before June 30, 2014,
17 subject to all of the eligibility criteria and limitations of this
18 section.

19 (7) A person claiming credit under chapter 82.62 RCW or RCW
20 82.04.448 cannot claim a credit under this section.

21 (8) This section expires June 30, 2014.

22 NEW SECTION. **Sec. 5.** A new section is added to chapter 84.36 RCW
23 to read as follows:

24 (1) Machinery and equipment exempt under RCW 82.08.02565 or
25 82.12.02565 used exclusively in the manufacture of solar energy systems
26 using photovoltaic modules into a solar energy system or the
27 manufacture of silicon components of such systems, at an investment
28 project exempt from sales and use tax under sections 2 and 3 of this
29 act are exempt from property taxation. "Solar energy system" has the
30 same meaning as provided in RCW 82.04.--- (section 2, Engrossed Second
31 Substitute Senate Bill No. 5111).

32 (2) A person seeking this exemption must make application to the
33 county assessor, on forms prescribed by the department.

34 (3) This section is effective for taxes levied for collection one
35 year after the effective date of this section and thereafter.

36 (4) This section expires December 31, 2014, for taxes levied for
37 collection in the following year.

1 NEW SECTION. **Sec. 6.** This act is necessary for the immediate
2 preservation of the public peace, health, or safety, or support of the
3 state government and its existing public institutions, and takes effect
4 July 1, 2005.

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