

HOUSE BILL REPORT

HB 2847

As Reported by House Committee On:
Finance

Title: An act relating to the sales and use tax exemption of materials and services used in the weatherization assistance program.

Brief Description: Creating a sales and use tax exemption of materials and services used in the weatherization assistance program.

Sponsors: Representatives Ormsby, Schindler, Barlow, Simpson, Springer, Wood and Santos.

Brief History:

Committee Activity:

Finance: 2/4/08, 2/12/08 [DPS].

Brief Summary of Substitute Bill

- Exempts materials and services used to weatherize a home from sales and use taxes.

HOUSE COMMITTEE ON FINANCE

Majority Report: The substitute bill be substituted therefor and the substitute bill do pass. Signed by 9 members: Representatives Hunter, Chair; Hasegawa, Vice Chair; Orcutt, Ranking Minority Member; Condotta, Assistant Ranking Minority Member; Conway, Ericks, McIntire, Roach and Santos.

Staff: Jeff Mitchell (786-7139).

Background:

Retail sales and use taxes are imposed by the state, most cities, and all counties. Retail sales taxes are imposed on retail sales of most articles of tangible personal property and some services. Use taxes apply to the value of most tangible personal property and some services when used in this state, if retail sales taxes were not collected when the property or services were acquired by the user. Use tax rates are the same as retail sales tax rates. The state tax rate is 6.5 percent. Local tax rates vary from 0.5 percent to 2.4 percent, depending on the

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location. The average local tax rate is 2.0, for an average combined state and local tax rate of 8.5 percent.

The federal Department of Energy (DOE) operates a Weatherization Assistance Program (WAP) to assist low-income families who lack resources to invest in energy efficiency. The WAP was created in 1976. The WAP is operated in all 50 states. The funds provided by Congress, through the DOE, are used to improve the energy efficiency of low-income dwellings. The DOE distributes money to the states. In Washington, the Department of Community, Trade and Economic Development (DCTED) administers the program. The DCTED, in turn, contracts with local governmental or nonprofit agencies to deliver weatherization services to low-income clients in their areas.

Typical weatherization services include installing insulation in walls, floors, and attics; reducing air infiltration and pressure imbalances; sealing and repairing ducts; and tuning and repairing heating and cooling units. Most of the services and materials related to weatherizing a home are subject to sales and use taxes.

Summary of Substitute Bill:

Tangible personal property and services used in the weatherization of residence under the Washington Weatherization Assistance Program are exempt from sales and use tax.

Substitute Bill Compared to Original Bill:

The substitute bill clarifies that only tangible personal property that becomes a component of the residence is exempt. A non-substantive, technical change is made to a definitional cross reference.

Appropriation: None.

Fiscal Note: Available.

Effective Date of Substitute Bill: The bill takes effect 90 days after adjournment of session in which bill is passed.

Staff Summary of Public Testimony:

(In support) Eliminating the sales tax would allow the weatherizing agencies to weatherize additional residences. This bill provides an opportunity for the state to help the poorest energy consumers and to reduce energy consumption and greenhouse gases. Low-income households are the prime users of weatherization services. Energy costs are particularly burdensome on low-income families.

(Opposed) None.

Persons Testifying: Representative Ormsby, prime sponsor; and Carrie Dolwick, Northwest Energy Coalition.

Persons Signed In To Testify But Not Testifying: None.