

HOUSE BILL REPORT

HB 1211

As Reported by House Committee On:
Technology, Energy & Communications
Finance

Title: An act relating to providing tax exemptions for solar hot water components.

Brief Description: Providing sales and use tax exemptions for solar hot water components.

Sponsors: Representatives Chase, Morris, Upthegrove, Wallace, Kagi, McCune, Moeller, Dunn, Linville and Morrell.

Brief History:

Committee Activity:

Technology, Energy & Communications: 1/24/07, 1/30/07 [DP];

Finance: 3/5/07 [DPS].

Brief Summary of Second Substitute Bill

- Exempts solar hot water heating components from retail sales and use taxes.

HOUSE COMMITTEE ON TECHNOLOGY, ENERGY & COMMUNICATIONS

Majority Report: Do pass. Signed by 10 members: Representatives Morris, Chair; McCoy, Vice Chair; Crouse, Ranking Minority Member; McCune, Assistant Ranking Minority Member; Eddy, Hankins, Hudgins, Hurst, Takko and VanDeWege.

Staff: Scott Richards (786-7156).

Background:

Solar hot water heaters use the sun to heat either water or a heat-transfer fluid in collectors. The U.S. Department of Energy estimates that a typical solar hot water system will reduce the need for conventional water heating by about two-thirds.

Retail Sales and Use Taxes

The retail sales tax applies to the selling price of tangible personal property and of certain services purchased at retail. The use tax applies if retail sales tax has not been collected. Both the state and local governments impose sales and use taxes; the state rate is 6.5 percent and the

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average local rate is 2 percent statewide. Sales taxes are collected by the seller from the buyer at the time of sale. Use tax is remitted directly to the Department of Revenue. State sales tax and use tax revenues are deposited in the State General Fund.

All items or services sold or acquired at retail are subject to the retail sales and use taxes unless specifically exempt.

Sales and Use Tax Exemption for Solar Hot Water Equipment

Currently, Washington law provides for a sales and use tax exemption for solar hot water heating equipment. The following equipment is exempt from state and local retail sales and use taxes:

- OG-300 rated solar water heating systems;
- OG-100 rated solar water heating collectors;
- solar heat exchangers; and
- differential solar controllers.

Also exempt from sales and use taxes are repair and replacement parts for such equipment and sales of or charges made for labor and services rendered in respect to installing, repairing, cleaning, altering, or improving such equipment.

The sales and use tax exemption for solar hot water heating equipment expires on June 30, 2009.

Solar Rating and Certification Corporation Standards

The Solar Rating and Certification Corporation (SRCC) is a non-profit organization whose primary purpose is the development and implementation of certification programs and national rating standards for solar energy equipment. The SRCC is an independent third-party certification entity.

The SRCC operates three solar certification programs: collector certification (OG 100), water heating system certification (OG 300), and a certification program for solar swimming pool heating systems (OG 400). The collector certification program (OG 100) applies to that part of a solar energy system which is exposed to the sun and collects the sun's heat. The solar water heating system certification program (OG 300) deals with the entire solar system (collectors, controls, storage tanks, heat exchangers, pumps, etc.) used to heat domestic hot water using the sun.

Summary of Bill:

Solar hot water heating components are exempt from state and local retail sales and use taxes. Also exempt from sales and use taxes are repair and replacement parts for such components and sales of or charges made for labor and services rendered in respect to installing, repairing, cleaning, altering, or improving such components.

A person taking the sales and use tax exemption must keep records necessary for the Department of Revenue to verify eligibility. This exemption is available only when the buyer

provides the seller with an exemption certificate in a form and manner prescribed by the Department of Revenue. The seller shall retain a copy of the certificate for the seller's files.

The sales and use tax exemption for solar hot water heater components takes effect July 1, 2007, and expires on June 30, 2009.

Appropriation: None.

Fiscal Note: Available.

Effective Date: The bill contains an emergency clause and takes effect on July 1, 2007.

Staff Summary of Public Testimony:

(In support) This bill represents an excellent way to reduce our carbon emissions. In this bill, we are perfecting last year's bill that provided tax incentives for solar hot water systems, but not individual components of a solar water heating system. Oftentimes installers need to customize the components to suit the conditions of each individual installation. The way solar water heating system is defined in law does not allow for these components to receive the retail and use tax exemption. This bill will remedy this situation.

Persons Testifying: Representative Chase, prime sponsor; and Larry Owens, Northwest Mechanical, Inc., Shoreline Solar Project, and Solar Washington.

Persons Signed In To Testify But Not Testifying: None.

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).

Summary of Recommendation of Committee On Finance Compared to Recommendation of Committee On Technology, Energy & Communications:

Changes the expiration date from July 1, 2009 to June 30, 2009.

Appropriation: None.

Fiscal Note: Available.

Effective Date of Second Substitute Bill: The bill contains an emergency clause and takes effect on July 1, 2007.

Staff Summary of Public Testimony:

(In support) None.

(Opposed) None.

Persons Testifying: None.

Persons Signed In To Testify But Not Testifying: None.