
Finance Committee

HB 3116

Brief Description: Extending the sales and use tax exemptions to machinery and equipment used to produce electricity using certain organic materials and byproducts of pulping or wood manufacturing processes.

Sponsors: Representatives Kessler, Orcutt, Ericks, Linville, Newhouse, Armstrong, Grant, VanDeWege, Williams, Pearson and Ormsby.

Brief Summary of Bill

- Provides a sales and use tax exemption for machinery and equipment used to generate electricity using biomass.

Hearing Date: 2/5/08

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

A retail sales and use tax exemption applies to the sale or use of machinery and equipment (M&E) used directly in generating electricity from renewable sources. (The renewable energy M&E sales and use tax exemption). The qualifying sources are fuel cells, wind, sunlight, and landfill gas. The exemption also applies to labor and services rendered in respect to the installation of eligible machinery and equipment. The generating facility must be capable of generating at least 200 watts of electricity. The exemption expires June 30, 2009.

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Biomass is organic material made from plants and animals. Biomass is a renewable energy source. Some examples of biomass fuels are wood, crops, manure, and some garbage. When burned, the chemical energy in biomass is released as heat. This heat can be used to produce steam for making electricity, or to provide heat to industries and homes. Many manufacturing plants in the wood and paper products industry use wood waste to produce their own steam and electricity.

Summary of Bill:

Machinery and equipment used to generate electricity using biomass is exempt from sales and use tax. (This exemption is added as a new category in the existing renewable energy M&E sales and use tax exemption). Biomass is defined as animal waste; food waste; solid organic fuels from wood, forest, or field residues; and byproducts of pulping or wood manufacturing processes such as bark, wood chips, and sawdust. The definition of biomass specifically excludes wood from harvesting old growth forests.

The June 30, 2009, expiration date for the renewable energy M&E sales and use tax exemption is extended to June 30, 2014.

Appropriation: None.

Fiscal Note: Requested on January 28, 2008.

Effective Date: The bill takes effect on July 1, 2008.