
Finance Committee

SB 5026

Brief Description: Providing a sales and use tax exemption for recovered wood waste boiler equipment.

Sponsors: Senators Murray and Sheldon.

Brief Summary of Bill

- Provides a sales and use tax exemption for wood waste fired boilers and associated equipment used to produce steam for sale.

Hearing Date: 3/21/07

Staff: Jeff Mitchell (786-7139).

Background:

Retail sales and use taxes. 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. State sales and use taxes are deposited in the state general fund. 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.

There is currently a sales and use tax exemption for machinery and equipment used directly in a manufacturing process. However, this exemption does not apply to the manufacturing of steam, electricity, or electrical energy.

Wood waste boilers. Wood waste, including mill residues, lumber yard scraps, construction site materials, and other discarded wood, can be burned in wood waste boilers to create steam and heat.

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.

Seattle Steam Company. The Seattle Steam Company, founded in 1893, distributes steam heat, generated at two plants, to 191 customers through 18 miles of pipeline. Customers include the Four Seasons Olympic and Seattle Sheraton hotels and Harborview and Swedish medical centers. The company plans to acquire a boiler with a steam production capacity of 80,000 pounds per hour that would be fueled principally using wood waste in order to reduce operating costs.

Summary of Bill:

An exemption from retail sales and use tax is provided for the acquisition of recovered wood waste boiler equipment used primarily in the production of steam for sale. Recovered wood waste is defined to mean discarded wood. The steam must be sold for use in sterilizing personal property, heating water, or heating buildings or personal property. The exemption also applies to repair or replacement parts and to associated labor and services. The types of equipment covered by the exemption include boilers, wood waste storage facilities located at the plant, conveyers to transport the waste from storage to the boilers, and associated emissions control equipment.

Appropriation: None.

Fiscal Note: Available.

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