

SENATE BILL REPORT

HB 3362

As Reported By Senate Committee On:
Ways & Means, March 03, 2008

Title: An act relating to tax incentives to encourage businesses to purchase highly energy efficient equipment.

Brief Description: Providing tax incentives to encourage businesses to purchase highly energy efficient equipment.

Sponsors: Representative Kelley.

Brief History: Passed House: 2/14/08, 94-0.

Committee Activity: Ways & Means:3/3/08 [DP].

SENATE COMMITTEE ON WAYS & MEANS

Majority Report: Do pass.

Signed by Senators Prentice, Chair; Fraser, Vice Chair, Capital Budget Chair; Pridemore, Vice Chair, Operating Budget; Zarelli, Ranking Minority Member; Brandland, Carrell, Fairley, Hatfield, Hobbs, Honeyford, Keiser, Kohl-Welles, Parlette, Rasmussen, Regala, Roach, Rockefeller, Schoesler and Tom.

Staff: Dianne Criswell (786-7433)

Background: Business & Occupation Tax. The business and occupation (B&O) tax is levied for the privilege of doing business in Washington. The tax is levied on the gross receipts of all business activities conducted within the state. In general, there are no deductions for the costs of doing business. There are several major tax rates, such as: 0.484 percent for manufacturing and wholesaling; 0.471 percent for retailing; and 1.5 percent for services. Several lower rates also apply to specific business activities.

Energy Star. In 1992 the U.S. Environmental Protection Agency (EPA) introduced Energy Star as a voluntary labeling program designed to identify and promote energy efficient products to reduce greenhouse gas emissions. Computers and monitors were the first labeled products. In 1995 the EPA expanded the label to additional office equipment products and residential heating and cooling equipment. The Energy Star label is now on major appliances, office equipment, lighting, home electronics, and other products. The EPA has also extended the label to cover new homes and commercial and industrial buildings.

Consortium for Energy Efficiency (CEE). The CEE is a nonprofit organization comprised of energy efficiency organizations; electric, gas, and water utilities; research and development

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organizations; state and provincial energy offices in the United States and Canada; and regional energy programs. The CEE promotes the use of energy-efficient products, technologies, and services. The CEE has adopted specifications for various levels of energy savings for a variety of products.

Summary of Bill: A new credit is adopted against state B&O tax for certain small businesses for the amount of state and local retail sales and use tax paid on certain types of commercial appliances which carry Energy Star or CEE ratings for energy-efficiency:

- (1) freezers and refrigerators;
- (2) washing machines;
- (3) ice makers;
- (4) gas convection ovens;
- (5) deep fat fryers;
- (6) hot food holding cabinets; and
- (7) steam cookers.

Eligible purchases of energy-efficient appliances must be made on or after July 1, 2008, and before July 1, 2010. To qualify for the credit, the firm's gross income for the prior calendar year must not exceed \$750,000. Further, there is a cap on the amount of credit granted to all taxpayers of \$750,000.

The Department of Community, Trade and Economic Development (CTED) is required to report on the energy and cost savings as a result of this tax incentive. The CTED report is due to the Legislature on December 30, 2010.

The B&O tax credit expires on July 1, 2010.

Appropriation: None.

Fiscal Note: Available.

Committee/Commission/Task Force Created: No.

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

Staff Summary of Public Testimony: None.

Persons Testifying: No one.