

SENATE BILL REPORT

SB 6379

As of January 30, 2008

Title: An act relating to sales tax incentives for highly energy efficient appliances and equipment.

Brief Description: Concerning sales tax incentives for highly energy efficient appliances and equipment.

Sponsors: Senators Pridemore, Swecker, Rockefeller, Hobbs, Fairley, Marr, McDermott, Hewitt, Berkey, Hatfield, Rasmussen, Shin, Brandland, Kilmer, Regala, Kauffman, Kohl-Welles, Eide, Hargrove, Murray, Oemig, Kline, Haugen, Tom, Delvin, Sheldon, McAuliffe and Keiser.

Brief History:

Committee Activity: Ways & Means: 1/28/08.

SENATE COMMITTEE ON WAYS & MEANS

Staff: Dianne Criswell (786-7433)

Background: Sales tax is imposed on the retail sales of most items of tangible personal property and some services. The use tax is imposed on the privilege of using tangible personal property or services in instances where the sales tax does not apply. Sales and use taxes are levied by the state, counties, and cities, and total rates vary from 7 to 8.9 percent.

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 and use tax revenues are deposited in the state General Fund.

Energy Star. In 1992 the United States 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 EPA expanded the label to additional office equipment products and residential heating and cooling equipment. In 1996 EPA partnered with the United States Department of Energy for particular product categories. The Energy Star label is now on major appliances, office equipment, lighting, home electronics, and more. EPA has also extended the label to cover new homes and commercial and industrial buildings.

Consortium for Energy Efficiency. The Consortium for Energy Efficiency (CEE) is a nonprofit organization that works with its members in the United States and Canada to promote the use of energy-efficient products, technologies, and services. The members of

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CEE are energy- efficiency organizations, including electric, gas, and water utilities; research and development organizations; state energy offices; and regional energy programs. CEE acts as a forum for energy-efficiency organizations to discuss, network, and exchange information with their peers.

Summary of Bill: Beginning July 1, 2008, an exemption from retail sales tax is provided for energy-efficient appliances and equipment.

The sales tax exemption applies to the following appliance and equipment that meet the federal Energy Star standards:

- refrigerators for residential use;
- gas or propane furnaces for residential use and have an annual fuel utilization efficiency rating of 90 percent or higher;
- oil furnaces for residential use and have an annual fuel utilization efficiency rating of 85 percent or higher;
- commercial deep fat fryers;
- commercial hot food holding cabinets; and
- commercial electric and gas steam cookers, also known as compartment cookers.

The sales tax exemption applies to the following appliance and equipment that meet CEE specifications:

- high efficiency commercial clothes washers;
- high efficiency clothes washers for residential use (Tier 3);
- commercial freezers and refrigerators (Tier 2); and
- commercial ice makers.

In addition, the following appliances and equipment also receive a retail sales tax exemption: • high efficiency air source heat pumps for residential use that have a heating seasonal performance factor of nine, a seasonal energy efficiency ratio of 15 or greater, unless for a manufactured home which must meet a seasonal heating performance factor;

- natural gas or propane hot water heaters for residential use that have an energy factor of 0.62 or higher, a capacity of 20 to 100 gallons of storage, and a maximum input of 75,000 BTUs per hour, or an energy factor of 0.82 or greater for an instantaneous model (tankless);
- residential electric water heaters (tank type) with an energy efficiency factor of 0.91 or greater; and
- commercial full-sized gas convection ovens with interior measurements of six cubic feet or larger.

By July 1, 2008, the Department for Community, Trade and Economic Development (CTED) must create and make available a detailed list, including brand names and model numbers, of all the appliances and equipment that meet these energy efficiency requirements.

Sales and Use Tax Exemption for Labor and Services. An exemption from the sales and use tax also applies to labor and services rendered in repairing, cleaning, altering, or improving the listed energy efficient appliances and equipment.

Performance Testing and Improvements. An exemption from sales and use tax is provided for labor and services associated with the following:

- optimizing heat pump efficiency by testing and correcting for the proper amount of refrigerant charge and airflow when performed by contractors approved by the local electric or gas utility or certified by performance tested comfort system, or both; and
- furnace duct testing and sealing performed by contractors approved by the local electric or gas utility or certified by performance tested comfort system, or both.

By July 1, 2008, CTED must create and make available a detailed list of approved contractors for performing labor services to test and improve heat pumps performance and to test and seal furnace ducts.

Reporting. By December 30, 2010, CTED must prepare and deliver a report to the Legislature, assessing the overall energy and cost saving impacts related to the sales tax exemption.

This act expires June 30, 2010.

Appropriation: None.

Fiscal Note: Requested on January 17, 2008.

Committee/Commission/Task Force Created: No.

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

Staff Summary of Public Testimony: PRO: The purpose of this bill is to provide financial incentives for appliances with much greater energy efficiency than required by federal, state, or local law. Other states and localities have incentive programs for appliances that save consumers and society money and energy. This bill would have enormous economic benefits to the state. Such incentives also remove skepticism about new technologies. Energy efficient appliances can help our country's energy security. Tax incentives can make a big difference in the adoption of new technologies by jumpstarting demand and lowering the threshold of affordability.

Persons Testifying: PRO: D. Yoshe Revelle; Kim Drury, Northwest Energy Coalition; Dirk Happee, Dick's Restaurant Supply; Carolyn Logue, Washington Food Industry; Jim King, Washington State HVAC Association; Gary Smith, Independent Business Association; Mark Johnson, Washington Retail Association.