SENATE BILL REPORT
2SHB 2130

As of March 23, 2009

Title: An act relating to tax incentives for renewable energy manufacturing facilities.

Brief Description: Concerning tax incentives for renewable energy manufacturing facilities.

Sponsors: House Committee on Finance (originally sponsored by Representatives Probst, Jacks, Morris, Morrell, Kenney, Conway and Ormsby).

Brief History: Passed House: 3/09/09, 97-0.
Committee Activity: Environment, Water & Energy: 3/20/09.

SENATE COMMITTEE ON ENVIRONMENT, WATER & ENERGY

Staff: William Bridges (786-7416)

Background: Semiconductor Cluster Incentives. In 2003 the Legislature enacted a package of tax incentives for manufacturers of certain semiconductor materials. The incentives were contingent upon an investment of at least $1 billion in a semiconductor microchip fabrication facility in the state. Among other things, the package included (1) a preferential business and occupation (B&O) tax rate of 0.275 percent; (2) sales and use tax exemptions for gases and chemicals used in semiconductor manufacturing; and (3) sales and use tax exemptions for the construction of new semiconductor manufacturing buildings. The contingency criterion was never met.

In 2006 another package of tax incentives was provided for manufacturers of certain semiconductor materials. These incentives were contingent upon an investment of at least $350 million in new or expanded semiconductor manufacturing facilities in the state. This package included (1) a preferential B&O tax rate of 0.275 percent; and (2) sales and use tax exemptions on the acquisition of gases and chemicals used in the production of semiconductor materials. This contingency was met, and the incentives became effective on December 1, 2006, and will expire on December 1, 2018.

Solar Energy Incentives. In 2005 B&O tax rate reductions were provided for certain types of solar energy manufacturing. The B&O tax rate was lowered to 0.2904 percent for businesses that (1) manufacture or sell at wholesale solar energy systems using photovoltaic modules; or (2) manufacture or sell at wholesale solar grade silicon to be used in the components of a solar energy system. The incentives expire on June 30, 2014.

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.

Summary of Bill: Creating a B&O Tax Credit for Renewable Energy Manufacturing. A credit of 50 percent of capital invested in renewable energy manufacturing expenditures is allowed, up to a maximum credit of $15 million per person per year. "Renewable energy manufacturing expenditures" includes investments relating to manufacturing raw materials, components, or equipment for solar, wind, bioenergy, or geothermal energy systems.

The total amount of annual credits in any year for a project may not exceed 20 percent of the total amount of credit earned. A maximum total of $30 million in credits may be claimed statewide per year. The Department of Revenue (DOR) must disallow any credits that would cause the statewide amount of credits to exceed $30 million in one year. No credit may be claimed before July 1, 2010.

A person may sell or transfer the value of that person's credits at a rate equal to 70 percent of the total amount of credit being sold or transferred. The purchaser of the credit may apply the full value of the credits being purchased to satisfy the purchaser's B&O tax due for the tax reporting period. The purchaser may not seek a refund for any credits purchased in excess of that purchaser's B&O tax liability.

The DOR, in coordination with the Department of Community, Trade, and Economic Development, must adopt rules to implement the B&O tax credit system.

A person using the B&O tax credit must provide an annual report detailing employment, wages, and employer-provided health and retirement benefits at the manufacturing site. The fiscal committees of the Legislature must evaluate the effectiveness of the tax credit in 2011 and 2017.

Appropriation: None.

Fiscal Note: Available.

Committee/Commission/Task Force Created: No.

Effective Date: Ninety days after adjournment of session in which bill is passed.

Staff Summary of Public Testimony: PRO: Despite having lower overall business costs than Oregon, and a skilled semiconductor work force, Clark County lost three major solar projects to Oregon worth 1,300 jobs and $500 million in private investment. Nineteen site selectors have listed Washington on their short lists but the state still loses projects to Oregon because of that state's tax incentives that are paid upfront. This bill will promote the siting of renewable energy manufacturing projects in Washington, which is a long-term growth industry. The bill will allow a developer to monetize its B&O credit upfront by selling its credits to another company for 70 cents for each dollar of credit. The incentive will generate jobs and increased tax revenues.

Persons Testifying: PRO: Representative Probst, prime sponsor; Representative Jacks, sponsor; Amber Carter, Association of Washington Business; Bill Fromhold, Columbia River Economic Development Council; Jerry Smedes, Infinia Corporation; Phil Watkins, Inland Empire Oil Seeds, LLC.