

# SENATE BILL REPORT

## SB 5906

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As of February 16, 2009

**Title:** An act relating to modifying the business and occupation tax on wholesalers of solar energy systems and sales and use tax treatment of semiconductor materials.

**Brief Description:** Modifying the business and occupation tax rate on wholesalers of solar energy systems and including semiconductor materials.

**Sponsors:** Senators Pridemore and Kline.

**Brief History:**

**Committee Activity:** Environment, Water & Energy:

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### 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 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.

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**Summary of Bill:** Reducing B&O Rate for Solar Energy Systems and Their Components. Beginning October 1, 2009, the B&O tax for businesses that manufacture or sell at wholesale either (1) solar energy systems using photovoltaic modules; or (2) solar grade silicon and other materials to be used exclusively in the components of such systems is set at a reduced rate of 0.275 percent. The lower B&O tax rate expires on June 30, 2014.

Creating Sales & Use Tax Exemptions for Silicon Materials Used in Solar Energy Systems. Sales and use tax exemptions for the construction of new semiconductor manufacturing buildings are extended to certain silicon materials used in solar energy systems. The exemptions are contingent upon an investment of at least \$1 billion in a semiconductor microchip fabrication facility in the state, and it expires 12 years after the contingency is met.

The sales and use tax exemptions for gases and chemicals used in semiconductor manufacturing are extended to certain silicon components used in solar energy systems. The exemptions expire on December 1, 2018.

**Appropriation:** None.

**Fiscal Note:** Requested on February 15, 2009.

**Committee/Commission/Task Force Created:** No.

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