

SENATE BILL REPORT

SB 6598

As of January 26, 2010

Title: An act relating to requiring leadership in energy and environmental design standards for certain excise tax credit eligibility.

Brief Description: Requiring LEED standards for certain excise tax credit eligibility.

Sponsors: Senators Kastama, Rockefeller and Ranker.

Brief History:

Committee Activity: Economic Development, Trade & Innovation: 1/25/10.

SENATE COMMITTEE ON ECONOMIC DEVELOPMENT, TRADE & INNOVATION

Staff: Karen Campbell (786-7448)

Background: The retail sales tax applies to the selling price of tangible personal property and of certain services purchased at retail. The use tax is imposed on items used in the state that were not subject to the retail sales tax and includes purchases made in other states and from sellers who do not collect Washington State sales tax. These taxes can be deferred by the Department of Revenue (DOR) for building or renovation projects that promote and support certain industries and, in some cases, are located in rural or distressed areas.

Sales and use taxes can be deferred on building or improvements to a manufacturing or research development facility located in a rural county or a distressed area. These deferrals are scheduled to expire on July 1, 2010. Businesses that conduct activities in advanced computing, advanced materials, biotechnology, electronic device technology, or environmental technology can receive a sales and use tax deferral on construction of research and development and pilot scale manufacturing facilities. Fruit and vegetable processing, cold storage warehousing, seafood and dairy product manufacturing, and related research and development businesses can receive sales and use tax deferrals.

Biotechnology or medical device investment projects qualify for a sales and use tax deferral. Construction of corporate headquarters in a community empowerment zone qualifies a person for deferral of sales and use taxes that would normally be incurred in the course of the construction. The investment in the headquarters must be at least \$30 million and the headquarters must house at least 300 fulltime employees earning at least the average annual state wage.

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.

Green building or sustainable building practices are measures of energy efficiency, water conservation, waste minimization, pollution prevention, indoor environmental quality, and resource-efficient materials during the lifetime of a building. These practices occur during design, construction, and operation of a building and its landscaping. The two most common green building rating systems in the United States are the Leadership in Energy and Environmental Design (LEED), Green Building Rating System from United States Green Building Council, and the Green Globes rating system from the Green Building Initiative. The goal of both rating systems is to improve the built environment and emphasize design and construction practices that reduce energy consumption and water use, improve indoor air quality, and minimize the impact on the natural environment.

Summary of Bill: For building projects undertaken in either the rural county, high technology research and development, agricultural products and cold storage, biotechnical manufacture or community empowerment zone tax deferral programs, a percentage of the sales and use tax will be deferred on a graduated basis depending on whether the construction meets green building rating standards established by the United States' green building council's leadership in energy and design. The ratings and corresponding percentages are as follows:

- 100 percent for a platinum rating;
- 75 percent for a gold rating;
- 50 percent for a silver rating;
- 25 percent if the project has not received at least a silver rating.

The expiration of the sales and use tax deferrals for building or improving a manufacturing or research development facility in a rural county or distressed area are extended to July 1, 2012.

Appropriation: None.

Fiscal Note: Requested on January 21, 2010
[OFM requested ten-year cost projection pursuant to I-960.]

Committee/Commission/Task Force Created: No.

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

Staff Summary of Public Testimony: CON: It is important that building projects receiving tax deferrals be constructed according to environmentally sound practices. However, the ratings system should not be confined to the LEED system, but should also include the Green Globes rating system. Differing systems work better depending on the type of building being constructed. In addition, the utilization of more than one system fosters competition which would ultimately improve both rating systems. This bill may have a negative impact on research and development firms due to current economic conditions. DOR does not have the expertise necessary to verify compliance with the LEED requirements.

Persons Testifying: CON: Lew McMurrin, Washington Technology Industry Association; Amber Carter, Association of Washington Business; Mark Rossolo, Green Building

Initiative; Robert Willis, PSF Mechanical Inc.; Bill Stauffacher, American Forest Paper Association.