

SENATE BILL REPORT

SB 6599

As of January 26, 2010

Title: An act relating to requiring high performance building standards for eligibility for certain tax incentives.

Brief Description: Requiring high performance building standards for eligibility for certain tax incentives.

Sponsors: Senators Kastama, Rockefeller, Ranker and Shin.

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

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.

headquarters must house at least 300 fulltime employees earning at least the average annual state wage.

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: In order to qualify in either the rural county, high technology research and development, agricultural products and cold storage, biotechnical manufacture or community empowerment zone tax deferral programs, new buildings or improvements must be constructed in accordance with a high performance building standard. High performance building standard means a standard equal to the gold rating of the United States' green building council's leadership in energy and environmental design 2009 new construction and major renovation rating system.

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: Although Green Building standards should be required in order to receive tax deferrals, the federal government and private industry have different definitions of what constitutes a high performance building standard. This bill would add yet another definition, leading to industry confusion. DOR does not have the necessary expertise to verify compliance with the LEED requirements. The rural county deferral program should be extended to July 1, 2015. Many businesses will be not be able to meet the LEED standards because of the additional cost. This will cause a loss of jobs and slow economic recovery. The Green Globes rating system should also be included as an acceptable rating system because it costs less. In addition, the utilization of more than one system fosters competition which would ultimately improve both rating systems. The LEED rating system discriminates against Washington grown wood.

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.