

SENATE BILL REPORT

SB 6763

As of February 5, 2010

Title: An act relating to restricting the sales and use tax exemptions for machinery and equipment used in the generation of renewable energy to local electric utilities or persons contracting with local electric utilities.

Brief Description: Restricting the sales and use tax exemptions for machinery and equipment used in the generation of renewable energy to local electric utilities or persons contracting with local electric utilities.

Sponsors: Senators Rockefeller, Prentice, Tom and Kline.

Brief History:

Committee Activity: Ways & Means: 2/04/10.

SENATE COMMITTEE ON WAYS & MEANS

Staff: Dean Carlson (786-7305)

Background: Sales tax is imposed on retail sales of most items of tangible personal property and some services, including construction and repair services. Sales and use taxes are imposed by the state, counties, and cities. Sales and use tax rates vary between 7 and 9.5 percent, depending on location.

In 2009 the Legislature enacted ESSB 6170, which among the provisions, created a sales and use tax exemption for 100 percent of the sales tax paid on machinery and equipment used to create energy from fuel cells, sun, wind, biomass energy, tidal and wave energy, geothermal resources, anaerobic digestion, and technology that converts otherwise lost energy from exhaust or landfill gas from July 1, 2009, to June 30, 2011. The sales tax exemption is reduced to 75 percent from July 1, 2011, to June 30, 2013. The exemption expires June 30, 2013.

Summary of Bill: The bill as referred to committee not considered.

Summary of Bill (Proposed First Substitute): Beginning July 1, 2010, the sales tax exemption on machinery and equipment used to generate electricity from certain renewable sources is limited to local electric utilities or to persons contracting with a local electric utility for the sale of electrical power.

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.

A local electric utility is defined as an electrical company:

- in which rates are regulated by the Washington Utilities and Transportation Commission;
- a municipal electric utility;
- a public utility district;
- an irrigation district;
- a cooperative; or
- a mutual corporation.

To qualify, the local electric utility must be in the business of distributing electricity to more than one retail electric customer in the state, and a joint operating agency formed under Chapter 43.52 RCW.

Appropriation: None.

Fiscal Note: Requested on February 3, 2010.
[OFM requested ten-year cost projection pursuant to I-960.]

Committee/Commission/Task Force Created: No.

Effective Date: The bill takes effect on June 30, 2010.

Staff Summary of Public Testimony: CON: The sales tax exemption is important for capital investments. For us, it is the difference between locating here or elsewhere. This brings jobs no matter where the electricity is sold. When we build these we don't know who the buyer is going to be. We need certainty in the exemption. This creates an unfair advantage to utilities in this state. Our lumber company owns a biomass plant that we would like to expand, as well as a wind farm. This currently is a strong incentive and supports rural economies. Restricting this would harm our ability to market our product. Most of the energy created at a mill site is used at the mill. Without the support the sales tax provides we can not meet certain financial hurdles. This stream of revenue helps ranchers and farmers with payments for turbines on their land. None of the other benefits to the community are not considered. We are concerned this bill will slow the development of clean energy in the state. The wild horse wind farm is the largest property tax payer in Kittitas County. We believe fossil fuel tax breaks should be eliminated before you close exemptions for clean energy. We don't like the shift to power sold only in Washington. Most tax exemptions encourage exportation.

Persons Testifying: CON: Kevin Lynch, Ibersrola; Tyson Utt, Horizon; Jason Spaderox, SDS lumber; Steve Gano, Longview Fibre; Pat Ortiz, Longview Fibre; John Audley, Renewable Northwest Project; Jessica Finn Coven, Climate Solutions; Carrie Dolwick, Northwest Energy Coalition.