

FINAL BILL REPORT

SB 5526

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Synopsis as Enacted

Brief Description: Concerning incentives for stirling converters.

Sponsors: Senators Regala, Delvin, Eide, Zarelli, Murray, Pridemore, Holmquist Newbry, Morton, Hewitt, Chase, Honeyford, Fraser and McAuliffe.

Senate Committee on Environment, Water & Energy
Senate Committee on Ways & Means
House Committee on Technology, Energy & Communications
House Committee on Ways & Means

Background: Business and Occupation Tax. Washington's major business tax is the business and occupation (B&O) tax. The B&O tax is imposed on the gross receipts of business activities conducted within the state, without any deduction for the costs of doing business. Revenues are deposited in the state General Fund. A business may have more than one B&O tax rate, depending on the types of activities conducted. There are a number of different rates. The main rates are 0.471 percent for retailing; 0.484 percent for manufacturing, wholesaling, and extracting; and 1.8 percent for professional and personal services, and activities not classified elsewhere until June 30, 2013 (at which time the 0.3 percent rate surcharge expires and the B&O rate for service and other category is 1.5 percent thereafter).

Solar Energy Systems – B&O Preferential Rates. In 2005 the Legislature provided a reduced B&O tax rate of 0.2904 percent for manufacturers, processors for hire, or wholesalers of solar energy systems using photovoltaic modules or silicon components of these systems. In 2009 the Legislature modified this tax preference by allowing a lower B&O rate of 0.275 percent for businesses that manufacture or sell at wholesale either (1) solar energy systems using photovoltaic modules; or (2) solar grade silicon and an expanded list of materials to be used exclusively in the components solar systems or semiconductors. The lower B&O tax rate expires on June 30, 2014.

Cost-Recovery Incentive Payment Program for Renewable Energy Systems. In 2005 the Legislature created a Renewable Energy Cost-Recovery Incentive Program (Cost-Recovery Incentive Program) to promote renewable energy systems located in Washington that produce electricity from solar, wind, or anaerobic digesters. An individual, business, or local government purchasing an eligible system may apply for an incentive payment from the electric utility serving the applicant. The incentive provides at least \$0.15 for each kilowatt-

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hour of energy produced, with extra incentives for solar generating systems or wind generating systems that use certain components manufactured in Washington. Payments are capped at \$5,000 annually per applicant.

A utility providing incentive payments is allowed a credit against its public utility tax (PUT) for incentives paid, limited to \$100,000 or 0.5 percent of its taxable power sales, whichever is greater. If the amount of requests for incentive payments exceeds the amount of funds available for PUT credit to the utility, the incentive payments to applicants must be reduced proportionally.

The Cost-recovery Incentive Program expires June 30, 2020.

Community Solar Projects. In 2009 and in 2010 the Legislature expanded the Cost-Recovery Incentive Program to include community solar projects. Community solar projects are defined as either (1) a solar energy system owned by local individuals, households, or non-utility businesses that is placed on the property owned by their cooperating local government entity; (2) a utility-owned solar energy system that is voluntarily funded by the utility's ratepayers where, in exchange for their financial support, the utility gives contributors a payment or credit on their utility bill for the value of the electricity produced by the project; or (3) a company-owned solar energy system that is a limited liability company, a cooperative, or a mutual corporation or association.

Community solar projects are eligible to receive incentives of \$0.30 for each kilowatt-hour of energy produced, unless the amount of requests for incentive payments exceeds the amount authorized for credit to utility, in which case the incentive payments to applicants must be reduced proportionally.

Payments to a community solar project are capped at \$5,000 annually per applicant.

Incentive payments to participants in a utility-owned community solar project may only account for up to 25 percent of the total allowable credit. Incentive payments to participants in a company-owned community solar project may only account for up to 5 percent of the total allowable credit.

Only community solar projects capable of generating up to 75 kilowatts of electricity may receive cost-recovery incentive payments.

Summary: Businesses that manufacture stirling converters are eligible to receive a business and occupation tax rate of 0.275 percent.

A stirling converter is defined as a device that produces electricity by converting heat from a solar source using a stirling engine.

Individuals, businesses, local governments, or community solar project participants that generate electricity from a stirling converter manufactured in Washington are eligible to receive an incentive payment for each kilowatt-hour produced. The incentive payment rate may be multiplied by a factor of 2.4.

Votes on Final Passage:

Senate	47	0
House	95	2

Effective: July 22, 2011.