Washington State
House of Representatives
Office of Program Research

BILL ANALYSIS

Finance Committee

HB 1910

Brief Description: Concerning the sales and use tax exemption expiration date for machinery and equipment used in generating electricity.

Sponsors: Representatives Fitzgibbon, Tharinger, Farrell, Upthegrove, Liias and Fey.

Brief Summary of Bill

- Repeals the expiration date for the sales and use tax exemption for machinery and equipment used in generating electricity from renewable energy.

Hearing Date: 2/25/13

Staff: Dominique Meyers (786-7150).

Background:

Sales and Use Tax.
Retail sales taxes are imposed on retail sales of most articles of tangible personal property, digital products and some services. A retail sale is a sale to the final consumer or end user of the property, digital product or service. If retail sales taxes were not collected when the user acquired the property, digital products or services, then use taxes applies to the value of property, digital product or service when used in this state. The state, most cities and all counties levy retail sales and use taxes. The state sales and use tax rate is 6.5 percent; local sales and use tax rates vary from 0.5 percent to 3.0 percent, depending on the location.

Renewable Energy.
A sales and use tax exemption in the form of a refund is allowed for 75 percent of the sales tax paid on machinery and equipment used directly in generating electricity from wind, sun, fuel cells, biomass, tidal or wave energy, geothermal resources, anaerobic digestion, and technology that converts otherwise lost energy from exhaust or landfill gas into electricity. In addition, the exemption applies to the labor and services rendered in respect to installing exempt machinery

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and equipment. The facility using the machinery and equipment must generate at least 1,000 watts of electricity to qualify for the exemption.

Joint Legislative Audit and Review Committee (JLARC) Report.
The Citizen Commission for Performance Measurement of Tax Preferences (Commission) was established by the 2006 Legislature. The Commission develops a schedule to review tax preferences, based on a ten-year review schedule. The Commission may revise the schedule each year to include any terminating tax preference for review. Tax preference reviews are conducted by JLARC staff according to the schedule established by the Commission. For each tax preference, JLARC staff evaluates whether, the public policy objective is being met and provides recommendations to continue, modify, or terminate the preference.

The JLARC report concluded that the Legislature did not specifically state the public policy objective of the preference; however, it did make the preference temporary. The Joint Legislative Audit and Review Committee inferred that the Legislature's public policy objective was to encourage and support generation of electricity using renewable energy sources on a temporary basis. Therefore, JLARC recommended the preference expire on the expiration date provided in statute, June 30, 2013.

Summary of Bill:

The expiration date for the sales and use tax exemption for machinery and equipment used in facilities that generate electricity from renewable energy is repealed.

Appropriation: None.

Fiscal Note: Requested on February 19, 2013.

Effective Date: The bill contains an emergency clause and takes effect on June 30, 2013.