

# SENATE BILL REPORT

## 2SHB 1663

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As Reported by Senate Committee On:  
Ways & Means, April 8, 2013

**Title:** An act relating to extending the sales and use tax exemption for hog fuel used to produce electricity, steam, heat, or biofuel.

**Brief Description:** Extending the sales and use tax exemption for hog fuel used to produce electricity, steam, heat, or biofuel.

**Sponsors:** House Committee on Finance (originally sponsored by Representatives Tharinger, Nealey, Van De Wege, Johnson, Takko, Blake, Haigh, Kretz, Fey, Hayes, Short, Crouse and Ryu).

**Brief History:** Passed House: 3/06/13, 97-0.

**Committee Activity:** Ways & Means: 3/27/13, 4/08/13 [DP, DNP].

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### SENATE COMMITTEE ON WAYS & MEANS

**Majority Report:** Do pass.

Signed by Senators Hill, Chair; Baumgartner, Vice Chair; Honeyford, Capital Budget Chair; Hargrove, Ranking Member; Nelson, Assistant Ranking Member; Bailey, Becker, Braun, Conway, Dammeier, Hasegawa, Hatfield, Keiser, Kohl-Welles, Murray, Padden, Parlette, Ranker, Rivers, Schoesler and Tom.

**Minority Report:** Do not pass.

Signed by Senator Fraser.

**Staff:** Juliana Roe (786-7438)

**Background:** In 2009, the Legislature enacted a sales and use tax exemption for hog fuel used to produce electricity, steam, heat, or biofuel. The exemption expires on June 30, 2013. Hog fuel is a waste product of wood that is ground, a process known as hogging, for use as a commercial energy source. As such, it is a kind of biofuel. Hog fuel is typically used as a fuel supply for boilers and electric power generation at mills that produce the material as a manufacturing byproduct. It is also purchased for use as a fuel source at these mills. Hog fuel is more fibrous and less uniform in size than clean wood chips.

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*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.*

Retail sales and use taxes are imposed by the state, most cities, and all counties. Retail sales taxes are imposed on retail sales of most goods and some services. If retail sales taxes are not collected when the goods or services are first acquired, then use taxes are often applied, at the same rate as the retail sales tax, when the goods or services are used. The state sales tax rate is 6.5 percent. State sales and use taxes are deposited in the state general fund.

**Summary of Bill:** The expiration date for the existing sales and use tax exemption is delayed by 11 years, from June 30, 2013, until June 30, 2024. The Department of Revenue (DOR) must declare any hog fuel sales tax exemption claimed within the previous two calendar years to be immediately due and payable to the Department, if the taxpayer who claimed the exemption closes a facility resulting in the loss of jobs in Washington.

Taxpayers claiming the hog fuel exemption must file a complete annual survey with the Department. The survey includes the amount of tax preference claimed and employment, wage, and benefit information for each of the facilities in Washington at which the exemption is claimed. DOR must provide annual survey information to the Joint Legislative Audit and Review Committee (Committee). The Employment Security Department and other agencies, upon request, must cooperate with the Committee by providing information about the average wage of employment in counties where the exemption is claimed. The Committee must review the performance of the tax preference with respect to its impact on jobs, wages, benefits, and the goal of retention of 75 percent of employment at the facilities at which the exemption was claimed. The Committee must report its findings to the Legislature by December 31, 2019.

**Appropriation:** None.

**Fiscal Note:** Available.

**Committee/Commission/Task Force Created:** No.

**Effective Date:** The bill contains an emergency clause and takes effect on July 1, 2013.

**Staff Summary of Public Testimony on Senate Bill 5866:** PRO: This is a bill about jobs and renewable energy. It already passed out of the House unanimously. It continues the exemption for the remaining 13 mills in Washington State. The bill is vital to the industry as it will support rural jobs and keep jobs in Washington. Hog fuel is a renewable biomass energy and using this type of energy reduces forest residuals and greenhouse gases. This product is generally sold for close to nothing or given away. However, by removing the timber leftovers from the forest we reduce the risk of forest fires, reduce smoke emissions from burning off what is left, and support jobs.

We oppose the general policy of a clawback for any industry, but support the bill overall.

**Persons Testifying:** PRO: Senator Hargrove, prime sponsor; Bill Stauffacher, NW Pulp and Paper Assn.; Debora Munguia, WA Forest Protection Assn.