

SENATE BILL REPORT

SB 5752

As Reported by Senate Committee On:
Ways & Means, February 28, 2013

Title: An act relating to extending the expiration date of the existing business and occupation tax rate for the manufacture and wholesale of certain solar energy systems.

Brief Description: Extending the expiration date of the existing business and occupation tax rate for the manufacture and wholesale of certain solar energy systems.

Sponsors: Senators Holmquist Newbry, Chase, Parlette, Hobbs and Kline.

Brief History:

Committee Activity: Ways & Means: 2/19/13, 2/28/13 [DPS].

SENATE COMMITTEE ON WAYS & MEANS

Majority Report: That Substitute Senate Bill No. 5752 be substituted therefor, and the substitute bill 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, Fraser, Hasegawa, Hatfield, Hewitt, Keiser, Kohl-Welles, Murray, Padden, Parlette, Ranker, Rivers, Schoesler and Tom.

Staff: Dean Carlson (786-7305)

Background: 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. Businesses must pay B&O tax even though they may not have any profits or may be operating at a loss. Major tax rates are 0.484 percent for manufacturing and wholesaling, 0.471 percent for retailing, and 1.8 percent for services. Several lower rates also apply to specific business activities.

Beginning in 2005, manufacturers and wholesalers of solar systems using photovoltaic modules paid a B&O tax at the rate of 0.294 percent. The reduced B&O tax rate was set to expire June 30, 2014. Over the years, several amendments to this section have taken place. Currently, manufacturers and wholesalers of solar energy systems using photovoltaic modules or stirling converters, or of solar grade silicon, silicon solar wafers, silicon solar

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cells, thin film solar devices, or compound semiconductor solar wafers are taxed at the rate of 0.275 percent.

Summary of Bill (Recommended Substitute): The expiration date for the B&O tax rate on manufacturers and wholesalers of solar energy systems using photovoltaic modules or stirling converters, or of solar grade silicon, silicon solar wafers, silicon solar cells, thin film solar devices, or compound semiconductor solar wafers, is extended two years until June 30, 2016.

EFFECT OF CHANGES MADE BY WAYS & MEANS COMMITTEE (Recommended Substitute): Added the term solar grade silicon to the definition of semiconductor materials.

Appropriation: None.

Fiscal Note: Available.

Committee/Commission/Task Force Created: No.

Effective Date: Ninety days after adjournment of session in which bill is passed.

Staff Summary of Public Testimony on Original Bill: PRO: This company is important to our local and state economy. They pay many taxes to our state on sales taxes, property taxes, and others. They have had to reduce their employment by 45 persons due to global conditions. This extension assures us that our B&O tax liability will not increase for two more years. We were the only polysilicon manufacturer in the world operating a 100 percent. We had a production reduction in Moses Lake. We were one of the last companies to do lay offs. We are in a difficult trade war with China. Our volume produced in 2012 was the highest level ever, but our revenues dropped 50 percent.

Persons Testifying: PRO: Senator Holmquist Newbry, prime sponsor; Christopher Bowes, Michael Van Slyke, REC Silicon.