

SENATE BILL REPORT

SB 5439

As Passed Senate, February 28, 2017

Title: An act relating to providing sales and use tax exemptions, in the form of a remittance of tax paid, to encourage coal-fired electric generation plants to convert to natural gas-fired plants or biomass energy facilities.

Brief Description: Providing sales and use tax exemptions, in the form of a remittance of tax paid, to encourage coal-fired electric generation plants to convert to natural gas-fired plants or biomass energy facilities.

Sponsors: Senators Braun, Sheldon, Rivers, Becker, Schoesler, Bailey, Brown, Warnick, Fortunato, Honeyford and Takko.

Brief History:

Committee Activity: Ways & Means: 2/02/17, 2/08/17 [DP, DNP].

Floor Activity:

Passed Senate: 2/28/17, 45-4.

Brief Summary of Bill

- Exempts from state and local sales and use taxes all charges for construction related to the conversion of a coal-fired electric generation facility into a natural gas-fired electric generation facility or biomass energy facility.
- Requires repayment of sales and use taxes if employment at the facility decreases by 25 percent from the previous year's employment level, beginning one year after the facility is operationally complete and ending January 1, 2031.

SENATE COMMITTEE ON WAYS & MEANS

Majority Report: Do pass.

Signed by Senators Braun, Chair; Brown, Vice Chair; Rossi, Vice Chair; Honeyford, Vice Chair, Capital Budget ; Ranker, Ranking Minority Member; Rolfes, Assistant Ranking Minority Member, Operating Budget; Frockt, Assistant Ranking Minority Member, Capital Budget; Bailey, Becker, Billig, Carlyle, Conway, Fain, Hasegawa, Keiser, Miloscia, Padden, Pedersen, Rivers, Schoesler, Warnick and Zeiger.

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.

Minority Report: Do not pass.
Signed by Senator Darneille.

Staff: Dean Carlson (786-7305)

Background: Emission Performance Standards (EPS) were adopted for electric generation plants to meet greenhouse gas emission standards adopted in Washington in 2008. In 2009, the Governor issued an executive order directing the Department of Ecology (Ecology) to work with the existing coal-fired plant within Washington to establish an agreed order to apply the EPS to the facility by no later than December 31, 2025. The agreed order must include a schedule of major decision making and resource investment milestones. In 2011, the Legislature established a schedule for applying the EPS to the Centralia coal-fired electric generation facility.

Retail sales taxes are imposed on retail sales of most articles of tangible personal property, digital products, and some services—including construction. 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 apply 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.

Summary of Bill: The construction of new structures or renovation of existing structures for the purpose of converting a coal-fired electric generation facility into a natural gas-fired electric generation plant or biomass energy facility is exempt from sales and use tax. The exemption includes the labor and services to construct the facility and the machinery and equipment that is required for the conversion.

The tax exemptions are in the form of a remittance and no remittance may be paid until the conversion of the facility is operationally complete, but not earlier than July 1, 2021. Applications for the remittance may not be submitted before April 1, 2021, and the Department of Revenue may not accept any application for a remittance that it does not receive by the later of (1) July 1, 2021, or (2) one year after the date that the facility is deemed operationally complete.

A tax preference performance statement characterizes the tax preference as one intended to create jobs. Because the tax preference is intended to expire, it is exempt from review by the Joint Legislative Audit and Review Committee. A repayment obligation is created if the number of employment positions at the new facility declines by 25 percent from the previous year's employment level, beginning one year after the facility is operationally complete and ending January 1, 2031. If the repayment obligation is triggered, no additional exemptions may be claimed.

Appropriation: None.

Fiscal Note: Available.

Creates Committee/Commission/Task Force that includes Legislative members: No.

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

Staff Summary of Public Testimony: PRO: It's ten times cheaper to convert a coal-fired electrical generation plant to natural gas than it is to build a natural gas electrical generation plant. The facility has 200 workers that are all family wage job. We reached an agreement to shut down the coal fired equipment by 2025. This bill supports this 2011 agreement. This will create job security in Lewis County. Our community is really in need of family wage jobs. We have schools that are 94-100 percent free and reduced in our area. We can keep the economy going and the tax base up in the county with this bill. TransAlta was the leading job provider in the county prior to the mine closing. The plant provides a base load for the northwest. We need to protect the family wage jobs in Lewis County. There is a Regional Fire authority just outside Centralia that really relies on the revenue from the plant. When the mine closed the number of fires fighters was reduced from 30 to 22.

Persons Testifying: PRO: Geoff Simpson, Washington State Council Of Fire Fighters; Al Aldrich, TransAlta; Paul Hoebong, TransAlta; Edna Fund, Lewis County Commissioner; Matt Matayoshi, Lewis County EDC; Dan Fugate, TransAlta; Bob Guenther, Thurston-Lewis-Mason Labor Council.

Persons Signed In To Testify But Not Testifying: No one.