

SENATE BILL REPORT

HB 2848

As of March 10, 2020

Title: An act relating to changing the expiration date for the sales and use tax exemption of hog fuel to coincide with the 2045 deadline for fossil fuel-free electrical generation in Washington state and to protect jobs with health care and retirement benefits in economically distressed communities.

Brief Description: Changing the expiration date for the sales and use tax exemption of hog fuel to coincide with the 2045 deadline for fossil fuel-free electrical generation in Washington state and to protect jobs with health care and retirement benefits in economically distressed communities.

Sponsors: Representatives Chapman, Orcutt, Tharinger, Walsh, Blake, Tarleton, Springer, Maycumber, Fitzgibbon and Lekanoff.

Brief History: Passed House: 2/13/20, 96-0.

Committee Activity: Environment, Energy & Technology: 2/20/20, 2/26/20, 2/27/20 [DPA-WM, DNP, w/oRec].

Ways & Means: 3/02/20.

Brief Summary of Amended Bill

- Extends the sales and use tax exemption on hog fuel from June 30, 2024, to June 30, 2045.

SENATE COMMITTEE ON ENVIRONMENT, ENERGY & TECHNOLOGY

Majority Report: Do pass as amended and be referred to Committee on Ways & Means.

Signed by Senators Carlyle, Chair; Lovelett, Vice Chair; Das, Hobbs, Lias, Nguyen, Short, Stanford and Wellman.

Minority Report: Do not pass.

Signed by Senator Rivers.

Minority Report: That it be referred without recommendation.

Signed by Senator Brown.

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.

Staff: Kimberly Cushing (786-7421)

SENATE COMMITTEE ON WAYS & MEANS

Staff: Jeffrey Mitchell (786-7438)

Background: Hog Fuel Tax Exemption. Hog fuel used to produce electricity, steam, heat, or biofuel is exempt from sales and use tax. Taxpayers claiming the exemption must complete an annual tax performance report for each facility owned or operated in the state. If a taxpayer claiming the exemption closes a facility in the state, resulting in a loss of jobs, the amount of the tax exempted for the previous two calendar years is due immediately. The hog fuel sales and use tax exemption expires June 30, 2024.

Joint Legislative Audit and Review Committee. In 2019, the Joint Legislative Audit and Review Committee (JLARC) reviewed the hog fuel tax preference and concluded that the Legislature should continue this preference because beneficiaries are exceeding the goal of retaining 75 percent of the jobs at participating facilities.

Tax Preference Performance Requirements. State law provides for a range of tax preferences that confer reduced tax liability for certain designated taxpayers. Tax preferences include tax exclusions, deductions, exemptions, preferential tax rates, deferrals, and credits. Unless specifically exempted otherwise, legislation establishing or expanding a tax preference must include a tax preference performance statement identifying its public policy objective and provides certain metrics used by the Joint Legislative Audit and Review Committee in evaluating the effectiveness of the preference. If an exemption or specific expiration date is not provided in the enacting legislation, all new tax preferences automatically expire after ten years.

Summary of Amended Bill: Hog Fuel Tax Exemption. The hog fuel sales and use tax exemption is extended from June 30, 2024, to June 30, 2034.

"Biofuel" is defined as a liquid or gaseous fuel derived from organic matter intended for use as a transportation fuel, including, but not limited to, biodiesel, renewable diesel, ethanol, renewable natural gas, and renewable propane. References to a definition of biofuel in an expired statute are eliminated.

Tax Preference Performance Statement. The Legislature's specific public policy objective to extend the expiration date of the hog fuel tax exemption is to increase the ability of beneficiary facilities to provide at least 75 percent of their employees with medical and dental insurance and a retirement plan.

EFFECT OF ENVIRONMENT, ENERGY & TECHNOLOGY COMMITTEE AMENDMENT(S):

- Expires the sales and use tax exemption on hog fuel on June 30, 2034, instead of June 30, 2045.
- Clarifies that for the purposes of the legislature's intent to increase the beneficiary facilities ability to provide at least 75 percent of their employees with medical and

dental insurance and a retirement plan, retirement plans may include defined benefit plans, defined contribution plans, or an employee investment plan whereby the employer offers a contribution to the employee plan.

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 on House Bill (Environment, Energy & Technology): *The committee recommended a different version of the bill than what was heard.* PRO: Hog fuel is a power source that is biomass that we use at pulp and paper mills throughout the state. As the state moves toward an all green energy portfolio in 2045, this is a fuel we will rely on fuel more and more. We would like to continue the tax exemptions that have been in place. The metrics are different in this bill. Seventy-five percent of jobs would need to provide health care benefits to serve as metric for review by JLARC. JLARC's recent review was great.

Persons Testifying (Environment, Energy & Technology): PRO: Bill Stauffacher, Northwest Pulp and Paper Association.

Persons Signed In To Testify But Not Testifying (Environment, Energy & Technology): No one.

Staff Summary of Public Testimony on Bill as Amended by Environment, Energy & Technology (Ways & Means): PRO: Hog fuel is an important biofuel source for the industry. The amendment in the Senate policy committee reduced the time frame for the exemption. We are trying to line up our exemption with the 2045 requirement for fossil fuel-free electrical generation.

Persons Testifying (Ways & Means): PRO: Bill Stauffacher, Northwest Pulp and Paper Association.

Persons Signed In To Testify But Not Testifying (Ways & Means): No one.