

SENATE BILL REPORT

SB 5543

As of February 17, 2022

Title: An act relating to a zero-emission landscaping equipment incentive program.

Brief Description: Concerning a zero-emission landscaping equipment incentive program. [
Revised for 1st Substitute: Concerning a zero-emission landscaping equipment incentive.]

Sponsors: Senators Carlyle, Das, Hunt, Liias, Lovelett, Lovick, Mullet, Nguyen, Pedersen, Randall, Rolfes, Stanford, Wilson, C. and Wilson, J..

Brief History:

Committee Activity: Environment, Energy & Technology: 1/11/22, 1/20/22 [DPS-WM, DNP].

Ways & Means: 2/17/22.

Brief Summary of First Substitute Bill

- Establishes a business & occupation tax credit for sales of discounted, new, all-electric lawn equipment

SENATE COMMITTEE ON ENVIRONMENT, ENERGY & TECHNOLOGY

Majority Report: That Substitute Senate Bill No. 5543 be substituted therefor, and the substitute bill do pass and be referred to Committee on Ways & Means.

Signed by Senators Carlyle, Chair; Lovelett, Vice Chair; Short, Ranking Member; Brown, Das, Liias, Lovick, Nguyen, Sheldon, Stanford and Wellman.

Minority Report: Do not pass.

Signed by Senators Fortunato and Schoesler.

Staff: Gregory Vogel (786-7413)

SENATE COMMITTEE ON WAYS & MEANS

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not part of the legislation nor does it constitute a statement of legislative intent.

Staff: Alia Kennedy (786-7405)

Background: Clean Air Act. The federal Clean Air Act (CAA) is a comprehensive set of laws designed to control air pollution. The United States Environmental Protection Agency (EPA) is responsible for establishing and enforcing standards and limits on air pollutants. Individual states and tribes have delegated authority to implement the federal program and may adopt their own rules and regulations at least as stringent as those set by EPA.

Under the Washington State Clean Air Act, the authority of the Department of Ecology (Ecology) includes adopting rules to establish minimum air quality and emission standards for the state. Ecology enforces the state and federal rules, except where a local clean air agency has been established.

Air Quality. Ecology and local clean air agencies monitor and track emissions to ensure levels of outdoor air pollutants meet federal and state air quality standards. Monitoring is focused on criteria pollutants and other chemicals broadly known as air toxics. Ecology's programs and strategies are intended to prevent air pollution from reaching levels that are unhealthy for people or the environment.

Criteria Pollutants. The CAA requires EPA to set National Ambient Air Quality Standards for six common air pollutants. Ecology and local clean air agencies monitor these pollutants and take action if levels become unhealthy. The pollutants are:

- carbon monoxide;
- lead;
- nitrogen dioxide;
- ozone;
- particulate matter; and
- sulfur dioxide.

Climate Commitment Account. The Climate Commitment Account is an account created as part of the state's cap and invest program. The account receives distributions from auction revenues under the cap and invest program and revenues may go towards implementing the working families tax credit and environmental and clean energy programs, activities, or projects.

Summary of Bill (First Substitute): A business & occupation (B&O) tax credit for sales of discounted, new, all-electric lawn equipment is established.

The credit is equal to the total amount of any qualifying discounts applied to the sale of new, all-electric lawn equipment sold during the tax reporting period, not to exceed \$50,000.

The credit may be earned and claimed against B&O taxes for the tax reporting period in which the sale of new, all-electric lawn equipment was made. The credit must not exceed

the tax due for the tax reporting period. Unused credit may be carried over and used in subsequent tax reporting periods, except that no credit may be claimed more than 12 months from the end of the tax reporting period in which the credit was earned. No refunds may be granted for credits.

The total amount of credits may not exceed an annual statewide limit of \$2,000,000. Credits must be authorized on a first-in-time basis. The Department of Revenue (DOR) must publish on a quarterly basis credits authorized to date for each reporting year.

DOR may require persons claiming a credit to provide appropriate documentation for the purposes of determining eligibility for the credit, including but not limited to any receipts from sales of qualifying discounted, new, all-electric lawn equipment; the purchase price of the equipment; the discount amount applied to the sale; and identifying information of the equipment purchaser, such as the name, address, and phone number.

A credit may be claimed for no more than one sale of a single discounted item of equipment per purchaser each tax reporting period. If DOR finds that a person claiming a credit has claimed a credit for the sale of more than one piece of equipment by an individual purchaser, then the person claiming the credit is liable for any tax amount otherwise due, plus interest.

Lawn equipment includes edgers, trimmers, chainsaws, and pole saws; leaf blowers and vacuums; walk-behind mowers, ride-on mowers, or stand-ride mowers; and additional batteries and chargers.

Qualifying discounts include any discount on the sale of new all-electric lawn equipment, not to exceed:

- \$100 for any equipment with a purchase price of up to \$300; and
- \$200 for any equipment with a purchase price over \$300.

Credits may be earned through December 31, 2023, and until such time as the maximum total credit is reached. No credits may be claimed after December 31, 2024.

The act may be known and cited as the Cash for Lawn Clunkers Act.

EFFECT OF CHANGES MADE BY ENVIRONMENT, ENERGY & TECHNOLOGY COMMITTEE (First Substitute):

- Removes provisions establishing a rebate program for new all-electric lawn equipment,
- Establishes a B&O credit for sales of discounted new all-electric lawn equipment.
- Limits the credit to \$50,000 per retailer.
- Establishes a statewide limit of \$2 million for the credit.
- Limits the discounts to one per customer for purposes of the credit.

- Allows credits to be claimed until December 31, 2024.

Appropriation: None.

Fiscal Note: Available.

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

Effective Date: The bill contains an emergency clause and takes effect immediately.

Staff Summary of Public Testimony on Original Bill (Environment, Energy & Technology): *The committee recommended a different version of the bill than what was heard.* PRO: The program has benefits beyond reducing greenhouse gas emissions, including reducing air and noise pollution, and promoting environmental health and equity. These pollutants are well documented as causing adverse health impacts, and the equipment is used near schools, parks, and other public places. Exposure to high noise levels can also damage hearing, and noise pollution degrades quality of life in communities.

The bill is an indicator that we have an overreliance on fossil fuels. Fossil fuel lawn equipment is often overlooked as a source of climate pollution and criteria pollutants. These are the small things we can do that make us think about the big things—mitigating climate change and reducing fossil fuel use. These types of bills are ultimately transformational in changing individual behavior.

OTHER: Ecology appreciates the sponsor's attention to environmental harm caused by gas-powered equipment. The bill supports state goals of reducing climate pollution and reducing criteria air pollution. We believe the program will be popular with Washington people and an effective way to reduce air pollution. Since the program is not supported for in the Governor's budget, the agency is signed in as other.

Persons Testifying (Environment, Energy & Technology): PRO: Senator Reuven Carlyle, Prime Sponsor; Martin Gibbins, League of Women Voters of Washington; Leah Missik, Climate Solutions; Clifford Traisman.

OTHER: Carrie Sessions, Dept. of Ecology.

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

Staff Summary of Public Testimony (Ways & Means): PRO: The goal is to find the best way to achieve this policy without creating an administrative burden. An alternative approach may be to convert the policy into a sales and use tax exemption. The point of a business and occupation tax credit is that it would allow small businesses to directly pass the benefit on to their customers. One hour of running a gas-powered leaf blower emits the

same amount of pollution as driving from Seattle to Los Angeles. This bill supports the electric lawn equipment industry, and reduces pollution and noise. Fossil fuel lawn equipment causes significant pollution that is harmful for people's health. Lawn equipment is used in residential neighborhoods, schools, parks, and other areas where people commonly live and breathe.

Persons Testifying (Ways & Means): PRO: Senator Reuven Carlyle, Prime Sponsor; Kelly Hall, Climate Solutions.

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