

HOUSE BILL REPORT

SB 5026

As Reported by House Committee On:
Finance

Title: An act relating to a sales and use tax exemption for recovered wood waste boiler equipment used in steam production.

Brief Description: Providing a sales and use tax exemption for recovered wood waste boiler equipment.

Sponsors: Senators Murray and Sheldon.

Brief History:

Committee Activity:

Finance: 3/21/07, 3/27/07 [DP].

Brief Summary of Bill

- Provides a sales and use tax exemption for wood waste-fired boilers and associated equipment used to produce steam for sale.

HOUSE COMMITTEE ON FINANCE

Majority Report: Do pass. Signed by 9 members: Representatives Hunter, Chair; Hasegawa, Vice Chair; Orcutt, Ranking Minority Member; Condotta, Assistant Ranking Minority Member; Conway, Ericks, McIntire, Roach and Santos.

Staff: Jeff Mitchell (786-7139).

Background:

Retail Sales and Use Taxes. 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 articles of tangible personal property and some services. Use taxes apply to the value of most tangible personal property and some services when used in this state, if retail sales taxes were not collected when the property or services were acquired by the user. Use tax rates are the same as retail sales tax rates. The state tax rate is 6.5 percent. State sales and use taxes are deposited in the State General Fund. Local tax rates vary from 0.5 percent to 2.4 percent, depending on the

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location. The average local tax rate is 2.0, for an average combined state and local tax rate of 8.5 percent.

There is currently a sales and use tax exemption for machinery and equipment used directly in a manufacturing process. However, this exemption does not apply to the manufacturing of steam, electricity, or electrical energy.

Wood Waste Boilers. Wood waste, including mill residues, lumber yard scraps, construction site materials, and other discarded wood, can be burned in wood waste boilers to create steam and heat.

Seattle Steam Company. The Seattle Steam Company, founded in 1893, distributes steam heat, generated at two plants, to 191 customers through 18 miles of pipeline. Customers include the Four Seasons Olympic and Seattle Sheraton hotels and Harborview and Swedish medical centers. The company plans to acquire a boiler with a steam production capacity of 80,000 pounds per hour that would be fueled principally using wood waste in order to reduce operating costs.

Summary of Bill:

An exemption from retail sales and use tax is provided for the acquisition of recovered wood waste boiler equipment used primarily in the production of steam for sale. Recovered wood waste is defined to mean discarded wood. The steam must be sold for use in sterilizing personal property, heating water, or heating buildings or personal property. The exemption also applies to repair or replacement parts and to associated labor and services. The types of equipment covered by the exemption include boilers, wood waste storage facilities located at the plant, conveyers to transport the waste from storage to the boilers, and associated emissions control equipment.

Appropriation: None.

Fiscal Note: Available.

Effective Date: The bill contains an emergency clause and takes effect on July 1, 2007.

Staff Summary of Public Testimony:

(In support) This is a clean burning energy bill. This bill is identical to a bill that the House passed to the Senate last year. This bill would clarify that the Seattle Steam Company does in fact manufacture steam and is entitled to the exemption. The bill was written last year by the Department of Revenue to apply to the Seattle Steam Company. It is our intent to install a bioenergy boiler to heat downtown Seattle. We currently serve 60 percent of the square footage in the downtown core. We serve all of the hospitals and many of the hotels. By purchasing discarded wood, we will take dollars that currently go overseas to purchase natural

gas and spend it locally. By using renewable energy, global warming gases will be reduced by 50,000 metric tons.

(Opposed) None.

Persons Testifying: Senator Murray, prime sponsor; Martin Flynn and Stan Gent, Seattle Steam Company.

Persons Signed In To Testify But Not Testifying: None.