
**Technology, Energy & Communications
Committee**

HB 2131

Brief Description: Providing a credit under the public utility tax for sales and use taxes paid for the development of eligible renewable resources in the state that provide renewable energy to a qualifying utility.

Sponsors: Representative Morris.

Brief Summary of Bill

- Provides a credit under the public utility tax for sales and use taxes paid for the development of eligible renewable energy resources by certain electrical utilities.

Hearing Date: 2/16/09

Staff: Scott Richards (786-7156)

Background:

Energy Independence Act.

Approved by voters in 2006, the Energy Independence Act (also known as Initiative 937) requires electric utilities with 25,000 or more customers to meet targets for energy conservation and for use of eligible renewable resources.

Eligible Renewable Resource Targets.

Each qualifying utility must use eligible renewable resources or acquire equivalent renewable energy credits, or a combination of both, to meet the following annual targets:

- at least 3 percent of its load by January 1, 2012, and each year thereafter through December 31, 2015;
- at least 9 percent of its load by January 1, 2016, and each year thereafter through December 31, 2019; and

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- at least 15 percent of its load by January 1, 2020, and each year thereafter.

Eligible Renewable Resource.

"Eligible renewable resource" includes wind, solar, geothermal energy, landfill and sewage gas, wave and tidal power, and certain biomass and biodiesel fuels. Electricity produced from an eligible renewable resource must be generated in a facility that started operating after March 31, 1999. The facility must either be located in the Pacific Northwest or the electricity from the facility must be delivered into the state on a real-time basis. Incremental electricity produced from efficiency improvements at hydropower facilities owned by qualifying utilities is also an eligible renewable resource, if the improvements were completed after March 31, 1999.

Public Utility Tax.

The public utility tax applies to the gross income derived from the operation of publicly and privately owned utilities. The tax is in lieu of the business and occupation (B&O) tax and applies to the general categories of transportation and the supply of energy and water.

Sales and Use Taxes.

Sales tax is imposed on retail sales of most items of tangible personal property and some services. The use tax is imposed on the same privilege of using tangible personal property or services in instances where the sales tax does not apply. Sales taxes are levied by the state, counties, and cities, and total rates vary from 7 to 8.9 percent. The use tax is paid directly to the Department of Revenue.

Summary of Bill:

A light and power business is allowed a credit against their public utility tax (PUT) in an amount equal to one-quarter of sales and use taxes paid by it or any other person on machinery and equipment used directly in generating electricity from an eligible renewable resource that is used as the principal source of power. This tax incentive may be applied toward the sales of or charges made for labor and services rendered in respect to installing machinery and equipment.

Machinery and equipment is "used directly" in generating electricity from an eligible renewable resource if it provides any part of the process that captures the energy, converts that energy to electricity, or stores, transforms, or transmits that electricity for entry into or operation in parallel with electric transmission and distribution systems.

The PUT credit is available only if the renewable resource on which sales or use taxes were paid is owned or operated by the qualifying utility or the electrical energy produced by the resource is contractually obligated to the qualifying utility at the time the PUT credit is claimed.

This tax incentive expires July 1, 2023.

Definitions.

"Qualifying utility" and "eligible renewable resource" has the same meaning as provided in the Energy Independence Act.

"Machinery and equipment" means industrial fixtures, devices, and support facilities that are integral and necessary to the generation of electricity from an eligible renewable resource.

"Machinery and equipment" does not include: (a) hand-powered tools; (b) property with a useful life of less than one year; (c) repair parts required to restore machinery and equipment to normal working order; (d) replacement parts that do not increase productivity, improve efficiency, or extend the useful life of machinery and equipment; (e) buildings; or (f) building fixtures that are not integral and necessary to the generation of electricity that are permanently affixed to and become a physical part of a building.

Appropriation: None.

Fiscal Note: Not requested.

Effective Date: The bill takes effect 90 days after adjournment of the session in which the bill is passed.