

SENATE BILL REPORT

SB 6069

As Reported by Senate Committee On:
Environment, Water & Energy, February 24, 2009

Title: An act relating to tax incentives for renewable energy manufacturing facilities.

Brief Description: Concerning tax incentives for renewable energy manufacturing facilities.

Sponsors: Senators Pridemore and Kline.

Brief History:

Committee Activity: Environment, Water & Energy: 2/24/09 [DP-WM].

SENATE COMMITTEE ON ENVIRONMENT, WATER & ENERGY

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

Signed by Senators Rockefeller, Chair; Pridemore, Vice Chair; Honeyford, Ranking Minority Member; Delvin, Hatfield, Holmquist, Morton and Ranker.

Staff: William Bridges (786-7416)

Background: Semiconductor Cluster Incentives. In 2003 the Legislature enacted a package of tax incentives for manufacturers of certain semiconductor materials. The incentives were contingent upon an investment of at least \$1 billion in a semiconductor microchip fabrication facility in the state. Among other things, the package included (1) a preferential business and occupation (B&O) tax rate of 0.275 percent; (2) sales and use tax exemptions for gases and chemicals used in semiconductor manufacturing; and (3) sales and use tax exemptions for the construction of new semiconductor manufacturing buildings. The contingency criterion was never met.

In 2006 another package of tax incentives was provided for manufacturers of certain semiconductor materials. These incentives were contingent upon an investment of at least \$350 million in new or expanded semiconductor manufacturing facilities in the state. This package included (1) a preferential B&O tax rate of 0.275 percent; and (2) sales and use tax exemptions on the acquisition of gases and chemicals used in the production of semiconductor materials. This contingency was met, and the incentives became effective on December 1, 2006, and will expire on December 1, 2018.

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.

Solar Energy Incentives. In 2005 B&O tax rate reductions were provided for certain types of solar energy manufacturing. The B&O tax rate was lowered to 0.2904 percent for businesses that (1) manufacture or sell at wholesale solar energy systems using photovoltaic modules; or (2) manufacture or sell at wholesale solar grade silicon to be used in the components of a solar energy system. The incentives expire on June 30, 2014.

Summary of Bill: A B&O Tax Credit is Created for Renewable Energy Manufacturing. A credit of 50 percent of capital invested in renewable energy manufacturing expenditures is allowed, up to a maximum credit of \$20 million.

The total amount of annual credits in any year for a project is capped at \$4 million; the maximum total of \$40 million in credits may be issued per year. Credits are allowed on a first-in-time basis. The Department of Revenue must disallow any credits that would cause the statewide amount of credits to exceed \$40 million in one year.

A person may sell or transfer the value of that person's credits at a rate equal to 70 percent of the total amount of credit being sold or transferred. The purchaser of the credit may apply the full value of the credits being purchased to satisfy the purchaser's B&O tax due for the tax reporting period. The purchaser may not seek a refund for any credits purchased in excess of that purchaser's B&O tax liability.

A person using the B&O tax credit must provide an annual report detailing employment, wages, and employer-provided health and retirement benefits at the manufacturing site. The fiscal committees of the Legislature must evaluate the effectiveness of the tax credit in 2011 and 2017.

Appropriation: None.

Fiscal Note: Requested on February 23, 2009. Available on companion HB 2130.

Committee/Commission/Task Force Created: No.

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

Staff Summary of Public Testimony: PRO: Oregon has a similar income tax incentive that is luring renewable energy manufacturers away from Washington. The semiconductor workforce in southwest Washington would be ideal for any renewable energy manufacturer. This bill would help to retain jobs and create new ones. The state must invest in bringing manufacturers here in order to enjoy the increased revenues and jobs they will bring. There is a current manufacturer in eastern Washington that could use this incentive to expand its operations. There is a company interested in moving to southeast Washington, but the definitions in the House companion bill will need to be used in order for the credit to be useful for that company.

Persons Testifying: PRO: Senator Pridemore, prime sponsor; Tim Boyd, Columbia Rural Electric Association.; Jerry Smedes, Infinia Corporation.