
Finance Committee

HB 1912

Brief Description: Extending the expiration date of the existing business and occupation tax rate for the manufacture and wholesale of certain solar energy systems.

Sponsors: Representatives Warnick, Manweller, Fey and Condotta.

Brief Summary of Bill

- Extends the expiration date for the lower Business and Occupation tax rate for manufacturers and wholesalers of certain solar energy systems by two years.

Hearing Date: 2/26/13

Staff: Dominique Meyers (786-7150).

Background:

Business and Occupation Tax.

Washington's major business tax is the business and occupation (B&O) tax. The B&O tax is imposed on the gross receipts of business activities conducted within the state, without any deduction for the costs of doing business. Businesses must pay B&O tax even though they may not have any profits or may be operating at a loss. A business may have more than one B&O tax rate, depending on the types of activities conducted. Major tax rates are 0.471 percent for retailing; 0.484 percent for manufacturing, wholesaling, and extracting; and 1.8 percent for services, and activities not classified elsewhere. Several lower rates also apply to specific business activities.

Solar Energy Tax Incentive.

The B&O tax for businesses that manufacture or sell at wholesale: (1) solar energy systems using photovoltaic modules; or (2) solar grade silicon and an expanded list of materials to be used exclusively in the components of a solar system or semiconductor is a reduced rate of 0.275 percent. Businesses must file an annual report with the department of revenue to report under the reduced B&O tax rate.

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.

Joint Legislative Audit and Review Committee (JLARC) Report.

The Citizen Commission for Performance Measurement of Tax Preferences was established by the 2006 Legislature. The Commission develops a schedule to review tax preferences, based on a ten-year review schedule. The Commission may revise the schedule each year to include any terminating tax preference for review. Tax preference reviews are conducted by JLARC staff according to the schedule established by the Commission. For each tax preference, JLARC staff evaluates whether the public policy objective is being met and provides recommendations to continue, modify, or terminate the preference.

With respect to solar energy tax incentives, the JLARC report concluded the following: The Legislature stated three public policy objectives for high technology R&D tax preferences are to (1) retain and expand existing solar industry manufacturing businesses in Washington, (2) attract new solar energy manufacturers and wholesalers to the state and (3) create jobs in Washington. The JLARC determined the legislature should review and clarify the solar energy B&O tax preference to determine if progress toward solar industry objectives is sufficient and to consider identifying targets for solar business retention, attraction, and job creation.

Summary of Bill:

The expiration date for the lower B&O tax rate for manufacturers and wholesalers of certain solar systems is extended by two years to June 30, 2016.

Appropriation: None.

Fiscal Note: Requested on February 25, 2013.

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