

# SENATE BILL REPORT

## SB 5239

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As of January 22, 2021

**Title:** An act relating to changing the expiration date for the sales and use tax exemption of hog fuel to coincide with the 2045 deadline for fossil fuel-free electrical generation in Washington state and to protect jobs with health care and retirement benefits in economically distressed communities.

**Brief Description:** Changing the expiration date for the sales and use tax exemption of hog fuel to coincide with the 2045 deadline for fossil fuel-free electrical generation in Washington state and to protect jobs with health care and retirement benefits in economically distressed communities.

**Sponsors:** Senators Wilson, J., Short and Van De Wege.

**Brief History:**

**Committee Activity:** Ways & Means: 1/25/21.

**Brief Summary of Bill**

- Extends the sales and use tax exemption for hog fuel from June 30, 2024, to June 30, 2045.

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### SENATE COMMITTEE ON WAYS & MEANS

**Staff:** Jeffrey Mitchell (786-7438)

**Background:** Sales and Use Tax. Retail sales taxes are imposed on retail sales of most articles of tangible personal property, digital products, and some services. A retail sale is a sale to the final consumer or end user of the property, digital product, or service. If retail sales taxes were not collected when the user acquired the property, digital products, or services, then use taxes apply to the value when used in this state. The state, most cities, and all counties levy retail sales and use taxes. The state sales and use tax rate is 6.5 percent. Local sales and use tax rates vary depending on the location.

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*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.*

Hog Fuel Tax Exemption. Hog fuel used to produce electricity, steam, heat, or biofuel is exempt from sales and use tax. Taxpayers claiming the exemption must complete an annual tax performance report for each facility owned or operated in the state providing information regarding employment, wage, and taxpayer savings. If a taxpayer claiming the exemption closes a facility in the state, resulting in a loss of jobs, the amount of the tax exempted for the previous two calendar years is due immediately. The hog fuel sales and use tax exemption expires June 30, 2024.

Tax Preference Performance Requirements. State law provides for a range of tax preferences that confer reduced tax liability for certain designated taxpayers. Tax preferences include tax exclusions, deductions, exemptions, preferential tax rates, deferrals, and credits. Unless otherwise specified, legislation establishing or expanding a tax preference must include a tax preference performance statement identifying its public policy objective and provide certain metrics to be used by the Joint Legislative Audit and Review Committee in evaluating the effectiveness of the preference in meeting this public policy objective. Additionally, if an exemption or specific expiration date is not provided in the enacting legislation, all new tax preferences automatically expire after ten years.

**Summary of Bill:** The hog fuel sales and use tax exemption is extended from June 30, 2024, to June 30, 2045, including the requirement to continue completing an annual tax performance report for each facility owned or operated in the state.

References to an expired statute in the definition of biofuel are eliminated. "Biofuel" is instead defined to mean a liquid or gaseous fuel derived from organic matter intended for use as a transportation fuel, including, but not limited to, biodiesel, renewable diesel, ethanol, renewable natural gas, and renewable propane.

The stated public policy objective of the legislation is to increase the ability of taxpayers claiming the sales and use tax exemption to provide at least 75 percent of their employees with medical and dental insurance and retirement plans.

**Appropriation:** None.

**Fiscal Note:** Available.

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

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