

HOUSE BILL REPORT

SSB 6062

As Passed House:

March 9, 2000

Title: An act relating to a sales and use tax deferral for natural gas-fired energy generating facilities sited in rural areas.

Brief Description: Providing a sales and use tax deferral for natural gas-fired energy generating facilities sited in rural areas.

Sponsors: Senate Committee on Ways & Means (originally sponsored by Senators Gardner, Spanel, West and Oke).

Brief History:

Floor Activity:

Passed House: 3/9/00, 69-29.

Brief Summary of Substitute Bill

- Allows sales and use taxes to be deferred on 600 megawatt or larger natural gas-fired generating facilities that are constructed in rural counties.

HOUSE COMMITTEE ON FINANCE

Majority/Minority Report: None.

Staff: Linda Brooks (786-7153).

Background:

The sales tax is imposed on retail sales of most items of tangible personal property and some services. The state tax rate is 6.5 percent and is applied to the selling price of the article or service. In addition, local sales taxes apply. The total tax rate is between 7 percent and 8.6 percent, depending on location.

Washington has developed various tax incentives designed to assist in job creation or retention in rural counties. Rural counties are defined as counties with less than 100 persons per square mile. Among the incentives is a sales and use tax deferral

program for manufacturing or research and development facilities constructed in rural counties. A pro-rata share of the deferred sales and use taxes must be repaid if eligibility criteria are not met during an 8-year period following completion of the manufacturing or research and development facility. After eight years, the deferred taxes are waived.

Summary of Bill:

A sales and use tax deferral program is created for generating facilities. An owner may defer sales and use taxes on the construction of a natural gas-fired generating facility if four criteria are met. One, the facility must be constructed within a rural county. Two, the generating facility constructed must be 600 megawatts or larger in size. Three, the owner must sell the electricity generated from the facility on the wholesale market. Four, the owner of the generating facility must be subject to property taxes; in other words, the generating facility cannot be owned by a municipal utility or a public utility district.

The sales and use tax deferral applies to site preparation, construction, and the acquisition and installation of equipment necessary and integral to the operation of the generating facility. A pro-rata share of the deferred taxes must be repaid if eligibility criteria are not met during an 8-year period following completion of the generating facility. After eight years, the deferred taxes are waived.

An owner's insolvency or other failure does not extinguish the owner's debt for any deferred taxes. Also, a change in ownership does not affect the deferral of sales and use taxes, if a new owner continues to meet eligibility requirements for the tax deferrals.

The sales and use tax deferral program for natural gas-fired generating facilities expires on July 1, 2002.

Appropriation: None.

Fiscal Note: Available.

Effective Date: The bill takes effect on July 1, 2000.

Testimony For: None.

Testimony Against: None.

Testified: None.