

# SENATE BILL REPORT

## SB 6099

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As Reported By Senate Committee On:  
Environment, Energy & Water, February 27, 2001

**Title:** An act relating to electric utility sales and use tax exemptions.

**Brief Description:** Providing electric utility sales and use tax exemptions.

**Sponsors:** Senators Morton, Hale, Stevens, Long, Oke, Hewitt, Honeyford, Sheahan, Zarelli, Rossi, West, Roach and T. Sheldon.

**Brief History:**

**Committee Activity:** Environment, Energy & Water: 2/27/01 [DP-WM].

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### SENATE COMMITTEE ON ENVIRONMENT, ENERGY & WATER

**Majority Report:** Do pass and be referred to Committee on Ways & Means.  
Signed by Senators Hale, Honeyford, Jacobsen, McDonald and Morton.

**Staff:** Richard Rodger (786-7461)

**Background:** The sales tax is paid on each retail sale of most articles of tangible property and certain services. The use tax is imposed on the use of articles of tangible personal property when the sale or acquisition has not been subject to the sales tax. Major items exempt from tax include food for human consumption, prescription drugs, motor vehicle fuel, utility services, professional services, certain business services, and items that become a component part of another product for sale.

Certain industrial, manufacturing, waste disposal, utility and commercial facilities have been granted sales and use tax exemptions for purchases associated with the reduction of air and water pollution. In 1995, sales and use tax exemptions were also provided for the sales of new and replacement machinery and equipment, including installation labor and services, used directly in manufacturing operations. Manufacturing operations included the portion of a cogeneration project that is used to generate power for on-site consumption, but excluded the production of electricity.

It is suggested that, due to the current energy shortages, the tax exemptions should be granted to electric utilities who seek to expand or improve their existing generating facilities.

**Summary of Bill:** Sales and use tax exemptions are provided to electric utilities when they purchase tangible personal property for construction on, or improvements to, existing generating facilities. The exemption extends to the associated labor and service expenses.

The term "electric utility" includes consumer and investor owned utilities that generate electricity through the use of hydroelectric, natural gas, nuclear, plasma arc, tidal, biomass, fuel cells, geothermal, or landfill gas.

**Appropriation:** None.

**Fiscal Note:** Requested on February 22, 2001.

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

**Testimony For:** We prefer this approach versus providing tax breaks for all new facilities.

**Testimony Against:** We have several concerns with the bill in its current form. The bill should have a sunset clause. The tax breaks should focus on increasing efficiencies, not just output. It should be clarified that it does not apply to a new facility that is co-located with an existing facility. Tax credits for air pollution control devices should be tied to a reduction of CO2 emissions.

**Testified:** Danielle Dixon, NW Energy Coalition (con).