

HOUSE BILL REPORT

HB 2876

As Reported by House Committee On:
Technology, Energy & Communications

Title: An act relating to sales tax incentives for highly energy efficient appliances and equipment.

Brief Description: Concerning sales tax incentives for highly energy efficient appliances and equipment.

Sponsors: Representatives Kelley, Orcutt, Kirby, Roach, Eddy, Green, McCune, Hurst, McCoy, Upthegrove, Lias, Morrell, Dunn and Ormsby.

Brief History:

Committee Activity:

Technology, Energy & Communications: 1/23/08 [DP].

Brief Summary of Bill

- Exempts certain energy efficient appliances and equipment from retail sales taxes.
- Exempts labor and services rendered in repairing, cleaning, altering, or improving the listed energy efficient appliances and equipment from retail sales and use taxes.

HOUSE COMMITTEE ON TECHNOLOGY, ENERGY & COMMUNICATIONS

Majority Report: Do pass. Signed by 12 members: Representatives McCoy, Chair; Eddy, Vice Chair; Crouse, Ranking Minority Member; McCune, Assistant Ranking Minority Member; Ericksen, Hankins, Herrera, Hudgins, Hurst, Kelley, Takko and Van De Wege.

Staff: Scott Richards (786-7156).

Background:

Retail Sales and Use Tax

Sales tax is imposed on the retail sales of most items of tangible personal property and some services. The use tax is imposed on the privilege of using tangible personal property or

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services in instances where the sales tax does not apply. Sales and use taxes are levied by the state, counties, and cities, and total rates vary from 7 to 8.9 percent.

Sales taxes are collected by the seller from the buyer at the time of sale. Use tax is remitted directly to the Department of Revenue. State sales and use tax revenues are deposited in the State General Fund.

Energy Star

In 1992 the United States Environmental Protection Agency (EPA) introduced Energy Star as a voluntary labeling program designed to identify and promote energy-efficient products to reduce greenhouse gas emissions. Computers and monitors were the first labeled products. In 1995 the EPA expanded the label to additional office equipment products and residential heating and cooling equipment. In 1996 the EPA partnered with the United States Department of Energy for particular product categories. The Energy Star label is now on major appliances, office equipment, lighting, home electronics, and more. The EPA has also extended the label to cover new homes and commercial and industrial buildings.

Consortium for Energy Efficiency

The Consortium for Energy Efficiency (CEE) is a nonprofit organization that works with its members in the United States and Canada to promote the use of energy-efficient products, technologies, and services. The members of the CEE are energy-efficiency organizations, including electric, gas, and water utilities; research and development organizations; state energy offices; and regional energy programs. The CEE acts as a forum for energy-efficiency organizations to discuss, network and exchange information with their peers.

Summary of Bill:

Beginning July 1, 2008, an exemption from retail sales tax is provided for certain energy efficient appliances and equipment.

The sales tax exemption applies to the following appliance and equipment that meet the federal Energy Star standards:

- refrigerators for residential use;
- gas or propane furnaces for residential use and have an annual fuel utilization efficiency rating of 90 percent or higher;
- oil furnaces for residential use and have an annual fuel utilization efficiency rating of 85 percent or higher;
- commercial deep fat fryers;
- commercial hot food holding cabinets; and
- commercial electric and gas steam cookers, also known as compartment cookers.

The sales tax exemption applies to the following appliance and equipment that meet Consortium for Energy Efficiency specifications:

- high efficiency commercial clothes washers;
- high efficiency clothes washers for residential use (Tier 3);

- commercial freezers and refrigerators (Tier 2); and
- commercial ice makers.

In addition, the following appliances and equipment also receive a retail sales tax exemption:

- high efficiency air source heat pumps for residential use that have a heating seasonal performance factor of nine, a seasonal energy efficiency ratio of 15 or greater, unless for a manufactured home. If for a manufactured home, the heat pump must meet a heating seasonal performance factor of 7.5 and a seasonal energy efficiency ratio of 12 or greater;
- natural gas hot water or propane hot water heaters for residential use that have an energy factor of 0.62 or higher, a capacity of 20 to 100 gallons of storage, and a maximum input of 75,000 BTUs per hour, or an energy factor of 0.82 or greater for an instantaneous model (tankless);
- residential electric water heaters (tank type) with an energy efficiency factor of 0.91 or greater; and
- commercial full-sized gas convection ovens with interior measurements of six cubic feet or larger.

By July 1, 2008 the Department of Revenue (DOR) must create and make available a detailed list, including brand names and model numbers, of all the appliances and equipment that meet these energy efficiency requirements.

Sales and Use Tax Exemption for Labor and Services

An exemption from the sales and use tax also applies to labor and services rendered in repairing, cleaning, altering, or improving the listed energy efficient appliances and equipment.

Performance Testing and Improvements

An exemption from sales and use tax is provided for labor and services associated with the following:

- optimizing heat pump efficiency by testing and correcting for the proper amount of refrigerant charge and airflow when performed by contractors approved by the local electric or gas utility or certified by performance tested comfort system, or both; and
- furnace duct testing and sealing performed by contractors approved by the local electric or gas utility or certified by performance tested comfort system, or both.

By July 1, 2008 the DOR must create and make available a detailed list of approved contractors for performing labor services to test and improve heat pumps performance and to test and seal furnace ducts.

Reporting

By December 30, 2010 the Department of Community, Trade and Economic Development must prepare and deliver a report to the Legislature, assessing the overall energy and cost saving impacts related to the sales tax exemption.

This act expires June 30, 2010.

Appropriation: None.

Fiscal Note: Requested on January 18, 2008.

Effective Date: The bill takes effect July 1, 2008.

Staff Summary of Public Testimony:

(In support) This bill will provide a short-term, two-year sales tax exemption for extremely energy efficient appliances. It will help create demand for these appliance in both the business and consumer sectors. This bill will help kick-start demand leading to a reduction in prices for these energy efficient appliances.

This bill supports the findings of the Governor's Climate Action Team that energy efficiency will play an increasingly important role in the state's energy future. This bill helps deliver greenhouse gas emissions reductions now rather than something in the future. The tax incentives help promote market acceptance of these energy efficient appliances. This bill assists consumers in making a purchase of an energy efficient appliance that cost more than a conventional less energy efficient appliance. The savings from energy efficient appliances are realized over the life of a product which can be as long as 15 years and often come in small increments. The tax incentive at the point-of-sale provides to a consumer an instant benefit that may make a difference in whether to purchase an energy efficient appliance or not. The Legislature may want to consider making the term of tax incentive longer than two years as called for in the bill.

(Opposed) None.

Persons Testifying: Representative Kelley, prime sponsor; Sara Patton and Kim Drury, Northwest Energy Coalition; Dirk Happee, Dick's Restaurant Supply; Mark Johnson, Washington Retail Association; Amy Peterson, Environment Washington; Ross Macfarlane, Climate Solutions; Elizabeth Davis, League of Women Voters of Washington; Jim King, Washington State HVAC/R Association; Craig Engelking, Sierra Club; Gary Smith, Industrial Business Association; Carolyn Logue, Washington Food Industry; and Ken Johnson, Puget Sound Energy.

Persons Signed In To Testify But Not Testifying: None.