

FINAL BILL REPORT

SHB 3120

C 235 L 08

Synopsis as Enacted

Brief Description: Requiring a study on tax incentives to encourage green building.

Sponsors: By House Committee on Finance (originally sponsored by Representatives Rolfes, Morrell, Lias and Williams).

House Committee on Finance
Senate Committee on Ways & Means

Background:

Washington's major tax is the state retail sales tax and its companion use tax. Together these comprise approximately 47 percent of all state tax receipts. In addition, local sales/use taxes are a major source of revenue for cities, counties, and other types of local taxing districts.

The sales tax applies to purchases for which the buyer actually uses the item or service (i.e., not for direct resale); the use tax applies to items upon which the retail sales tax was not paid (e.g., items purchased out-of-state or from nonretail vendors). Most purchases of tangible personal property, including items used by businesses, are subject to the tax. Some services such as construction and repair of tangible personal property are subject to the tax; however, the majority of personal and professional services are not taxable. A variety of specific exemptions apply to certain types of goods, (e.g., manufacturing machinery and motor vehicle fuel), or to specified type of purchasers, (e.g., the American Red Cross).

The state levies a sales/use tax rate of 6.5 percent; local sales/use tax rates range from 0.5 to 2.4 percent. Starting in April 2008, the highest combined rate in the state will be 9.0 percent.

In the case of contract construction done for an owner of real property, the retail sales tax applies to the full price of the contract, including materials, labor, and service. For "spec" building, when the builder owns the land upon which a structure is being constructed or remodeled, the builder pays retail sales/use tax upon the materials to be incorporated into the structure, but there is no tax on labor and services.

Summary:

A study is mandated on the effectiveness of tax incentives to encourage green building of residential, commercial, and public structures. By December 1, 2008, the Department of Community, Trade and Economic Development must report to the Legislature. The Department of Revenue is directed to provide tax-related data in support of the study.

The study must identify tax incentives to encourage the construction of energy-efficient building; propose new sales/use tax exemptions for construction activities and business and

occupation tax incentives for contractors and architects; provide an estimate of the fiscal cost of any proposed incentives; and provide an estimate of the potential reduction in emission reductions and cost savings for green-built structures. Also, the study must consider other tax and programmatic policies to encourage green building and analyze current trends in this industry.

Votes on Final Passage:

House	93	1	
Senate	48	1	(Senate amended)
House	91	3	(House concurred)

Effective: June 12, 2008