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HOUSE BILL 2346

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By Representatives Morris, Smith, Haler, Rossetti, Tarleton, Hayes, and Peterson

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1 AN ACT Relating to promoting a sustainable, local renewable  
2 energy industry through modifying renewable energy system tax  
3 incentives and providing guidance for renewable energy system  
4 component recycling; amending RCW 82.16.120, 82.16.130, 82.08.962,  
5 82.08.963, 82.12.962, and 82.12.963; adding new sections to chapter  
6 82.16 RCW; adding a new section to chapter 70.95N RCW; creating a new  
7 section; and declaring an emergency.

8 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

9 NEW SECTION. **Sec. 1.** The legislature finds and declares that  
10 stimulating local investment in distributed renewable energy  
11 generation is an important part of a state energy strategy, helping  
12 to increase energy independence from fossil fuels, promote economic  
13 development, hedge against the effects of climate change, and attain  
14 environmental benefits. The legislature intends to increase the  
15 effectiveness of the existing renewable energy investment cost  
16 recovery program by reducing the maximum incentive rate provided for  
17 each kilowatt-hour of electricity generated by a renewable energy  
18 system over the period of the program and by creating opportunities  
19 for broader participation by low-income individuals and others who  
20 may not own the premises where a renewable energy system may be  
21 installed. The legislature intends to provide an incentive sufficient

1 to promote installation of systems through 2020, at which point the  
2 legislature expects that the state's renewable energy industry will  
3 be capable of sustained growth and vitality without the cost recovery  
4 incentive.

5 NEW SECTION. **Sec. 2.** A new section is added to chapter 82.16  
6 RCW to read as follows:

7 (1) This section is the tax preference performance statement for  
8 the tax preference and incentives created under RCW 82.16.130 and  
9 section 6 of this act. This performance statement is only intended to  
10 be used for subsequent evaluation of the tax preference and  
11 incentives. It is not intended to create a private right of action by  
12 any party or be used to determine eligibility for preferential tax  
13 treatment.

14 (2) The legislature categorizes the tax preference created under  
15 RCW 82.16.130 and incentive payments authorized in section 6 of this  
16 act as intended to:

17 (a) Induce participating utilities to make incentive payments to  
18 utility customers who invest in renewable energy systems; and

19 (b) By inducing utilities, nonprofit organizations, and utility  
20 customers to acquire and install renewable energy systems, retain  
21 jobs in the clean energy sector and create additional jobs.

22 (3) The legislature's public policy objectives are to:

23 (a) Increase energy independence from fossil fuels; and

24 (b) Promote economic development through increasing and improving  
25 investment in, development of, and use of clean energy technology in  
26 Washington; and

27 (c) Increase the number of jobs in and enhance the sustainability  
28 of the clean energy technology industry in Washington.

29 (4) It is the legislature's intent to provide the incentives in  
30 section 6 of this act and RCW 82.16.130 in order to ensure the  
31 sustainable job growth and vitality of the state's renewable energy  
32 sector. The purpose of the incentive is to reduce the costs  
33 associated with installing and operating solar energy systems by  
34 persons or entities receiving the incentive.

35 (5) As part of its 2019 tax preference reviews conducted under  
36 chapter 43.136 RCW, the joint legislative audit and review committee  
37 must review the tax preferences and incentives in section 6 of this  
38 act and RCW 82.16.130. The legislature intends for the legislative

1 auditor to determine that the incentive has achieved its desired  
2 outcomes if the following objectives are achieved:

3 (a) Installation of two hundred megawatts of solar photovoltaic  
4 capacity in Washington by 2020; and

5 (b) Growth of solar-related employment from 2015 levels, as  
6 evidenced by:

7 (i) An increased per capita rate of solar energy-related jobs in  
8 Washington, which may be determined by consulting a relevant trade  
9 association in the state; or

10 (ii) Achievement of an improved national ranking for solar  
11 energy-related employment and per capita solar energy-related  
12 employment, as reported in a nationally recognized report.

13 (6) In order to obtain the data necessary to perform the review,  
14 the joint legislative audit and review committee may refer to data  
15 collected by the Washington State University extension energy  
16 program, including the report provided in subsection (8) of this  
17 section, and may obtain employment data from the employment security  
18 department.

19 (7) The Washington State University extension energy program  
20 shall collect, through the application process, data from persons  
21 claiming the tax credit under RCW 82.16.130 and persons receiving the  
22 incentive payments created in section 6 of this act, as necessary,  
23 and may collect data from other interested persons as necessary to  
24 report on the performance of this act.

25 (8) Before January 2, 2018, the Washington State University  
26 extension energy program must deliver to the legislature:

27 (a) Information on the state of incentives available for solar  
28 energy projects in Washington; and

29 (b) Its recommendations regarding adjustments, if any, to the  
30 incentive payments created in section 6 of this act for future  
31 program participants.

32 (9) All recipients of tax credits or incentive payments awarded  
33 under this chapter must provide necessary data requested by the  
34 Washington State University extension energy program or the joint  
35 legislative audit and review committee. Failure to comply may result  
36 in the loss of a tax credit award or incentive payment in the  
37 following year.

38 **Sec. 3.** RCW 82.16.120 and 2011 c 179 s 3 are each amended to  
39 read as follows:

1 (1)(a) Any individual, business, local governmental entity, not  
2 in the light and power business or in the gas distribution business,  
3 or a participant in a community solar project may apply to the light  
4 and power business serving the situs of the system, each fiscal year  
5 beginning on July 1, 2005, and ending June 30, 2020, for an  
6 investment cost recovery incentive for each kilowatt-hour from a  
7 customer-generated electricity renewable energy system.

8 (b) In the case of a community solar project as defined in RCW  
9 82.16.110(2)(a)(i), the administrator must apply for the investment  
10 cost recovery incentive on behalf of each of the other owners.

11 (c) In the case of a community solar project as defined in RCW  
12 82.16.110(2)(a)(iii), the company owning the community solar project  
13 must apply for the investment cost recovery incentive on behalf of  
14 each member of the company.

15 (2)(a) Before submitting for the first time the application for  
16 the incentive allowed under subsection (4) of this section, the  
17 applicant must submit to the department of revenue and to the climate  
18 and rural energy development center at the Washington State  
19 University, established under RCW 28B.30.642, a certification in a  
20 form and manner prescribed by the department that includes, but is  
21 not limited to, the ~~((following))~~ information~~((+))~~ described in (c)  
22 of this subsection.

23 (b) No person may submit for the first time the application for  
24 the incentive allowed under subsection (4) of this section after June  
25 30, 2016.

26 (c)(i) The name and address of the applicant and location of the  
27 renewable energy system.

28 (A) If the applicant is an administrator of a community solar  
29 project as defined in RCW 82.16.110(2)(a)(i), the certification must  
30 also include the name and address of each of the owners of the  
31 community solar project.

32 (B) If the applicant is a company that owns a community solar  
33 project as defined in RCW 82.16.110(2)(a)(iii), the certification  
34 must also include the name and address of each member of the company;

35 (ii) The applicant's tax registration number;

36 (iii) That the electricity produced by the applicant meets the  
37 definition of "customer-generated electricity" and that the renewable  
38 energy system produces electricity with:

39 (A) Any solar inverters and solar modules manufactured in  
40 Washington state;

1 (B) A wind generator powered by blades manufactured in Washington  
2 state;

3 (C) A solar inverter manufactured in Washington state;

4 (D) A solar module manufactured in Washington state;

5 (E) A stirling converter manufactured in Washington state; or

6 (F) Solar or wind equipment manufactured outside of Washington  
7 state;

8 (iv) That the electricity can be transformed or transmitted for  
9 entry into or operation in parallel with electricity transmission and  
10 distribution systems; and

11 (v) The date that the renewable energy system received its final  
12 electrical ~~((permit))~~ inspection from the applicable local  
13 jurisdiction.

14 ~~((b))~~ (d) Within thirty days of receipt of the certification  
15 the department of revenue must notify the applicant by mail, or  
16 electronically as provided in RCW 82.32.135, whether the renewable  
17 energy system qualifies for an incentive under this section. The  
18 department may consult with the climate and rural energy development  
19 center to determine eligibility for the incentive. System  
20 certifications and the information contained therein are not  
21 confidential tax information under RCW 82.32.330 and are subject to  
22 disclosure ~~((under RCW 82.32.330(3)(1)))~~.

23 (3)(a) By August 1st of each year application for the incentive  
24 must be made to the light and power business serving the situs of the  
25 system by certification in a form and manner prescribed by the  
26 department that includes, but is not limited to, the following  
27 information:

28 (i) The name and address of the applicant and location of the  
29 renewable energy system.

30 (A) If the applicant is an administrator of a community solar  
31 project as defined in RCW 82.16.110(2)(a)(i), the application must  
32 also include the name and address of each of the owners of the  
33 community solar project.

34 (B) If the applicant is a company that owns a community solar  
35 project as defined in RCW 82.16.110(2)(a)(iii), the application must  
36 also include the name and address of each member of the company;

37 (ii) The applicant's tax registration number;

38 (iii) The date of the notification from the department of revenue  
39 stating that the renewable energy system is eligible for the  
40 incentives under this section; and

1 (iv) A statement of the amount of kilowatt-hours generated by the  
2 renewable energy system in the prior fiscal year.

3 (b) Within sixty days of receipt of the incentive certification  
4 the light and power business serving the situs of the system must  
5 notify the applicant in writing whether the incentive payment will be  
6 authorized or denied. The business may consult with the climate and  
7 rural energy development center to determine eligibility for the  
8 incentive payment. Incentive certifications and the information  
9 contained therein are not confidential tax information under RCW  
10 82.32.330 and are subject to disclosure (~~under RCW~~  
11 ~~82.32.330(3)(1)~~)).

12 (c)(i) Persons, administrators of community solar projects, and  
13 companies receiving incentive payments must keep and preserve, for a  
14 period of five years, suitable records as may be necessary to  
15 determine the amount of incentive applied for and received. Such  
16 records must be open for examination at any time upon notice by the  
17 light and power business that made the payment or by the department.  
18 If upon examination of any records or from other information obtained  
19 by the business or department it appears that an incentive has been  
20 paid in an amount that exceeds the correct amount of incentive  
21 payable, the business may assess against the person for the amount  
22 found to have been paid in excess of the correct amount of incentive  
23 payable and must add thereto interest on the amount. Interest is  
24 assessed in the manner that the department assesses interest upon  
25 delinquent tax under RCW 82.32.050.

26 (ii) If it appears that the amount of incentive paid is less than  
27 the correct amount of incentive payable the business may authorize  
28 additional payment.

29 (4) (~~Except for community solar projects, the investment cost~~  
30 ~~recovery incentive may be paid fifteen cents per economic development~~  
31 ~~kilowatt-hour unless requests exceed the amount authorized for credit~~  
32 ~~to the participating light and power business. For community solar~~  
33 ~~projects, the investment cost recovery incentive may be paid thirty~~  
34 ~~cents per economic development kilowatt-hour unless requests exceed~~  
35 ~~the amount authorized for credit to the participating light and power~~  
36 ~~business. For the purposes of this section, the rate paid for the~~  
37 ~~investment cost recovery incentive may be multiplied by the following~~  
38 ~~factors:~~

1 ~~(a) For customer-generated electricity produced using solar~~  
2 ~~modules manufactured in Washington state or a solar stirling~~  
3 ~~converter manufactured in Washington state, two and four tenths;~~

4 ~~(b) For customer-generated electricity produced using a solar or~~  
5 ~~a wind generator equipped with an inverter manufactured in Washington~~  
6 ~~state, one and two tenths;~~

7 ~~(c) For customer-generated electricity produced using an~~  
8 ~~anaerobic digester, or by other solar equipment or using a wind~~  
9 ~~generator equipped with blades manufactured in Washington state, one;~~  
10 ~~and~~

11 ~~(d) For all other customer-generated electricity produced by~~  
12 ~~wind, eight tenths.)) (a) Unless as of June 30, 2015, requests~~  
13 ~~exceeded the amount authorized for credit to the participating light~~  
14 ~~and power business allowed under RCW 82.16.130, the investment cost~~  
15 ~~recovery incentive may be paid through June 30, 2020, at a base rate~~  
16 ~~of fifteen cents per economic development kilowatt-hour, or for~~  
17 ~~community solar projects thirty cents per economic development~~  
18 ~~kilowatt-hour, and the applicable base rate multiplied by the~~  
19 ~~following factors:~~

20 (i) For customer-generated electricity produced using solar  
21 modules manufactured in Washington state or a solar stirling  
22 converter manufactured in Washington state, two and four-tenths;

23 (ii) For customer-generated electricity produced using a solar or  
24 a wind generator equipped with an inverter manufactured in Washington  
25 state, one and two-tenths;

26 (iii) For customer-generated electricity produced using an  
27 anaerobic digester, or by other solar equipment or using a wind  
28 generator equipped with blades manufactured in Washington state, one;  
29 and

30 (iv) For all other customer-generated electricity produced by  
31 wind, eight-tenths.

32 (b) If, as of June 30, 2015, requests exceeded the amount of  
33 credit to the participating light and power business under RCW  
34 82.16.130 such that the light and power business reduced rates  
35 proportionately for each participant in the incentive program, the  
36 incentive may be paid until June 30, 2020, at the rate the customer  
37 of that utility received for electricity generated on June 30, 2015.

38 (5)(a) No individual, household, business, or local governmental  
39 entity is eligible for incentives provided under subsection (4) of  
40 this section for more than five thousand dollars per year.

1 (b) Except as provided in (c) through (e) of this subsection (5),  
2 each applicant in a community solar project is eligible for up to  
3 five thousand dollars per year.

4 (c) Where the applicant is an administrator of a community solar  
5 project as defined in RCW 82.16.110(2)(a)(i), each owner is eligible  
6 for an incentive but only in proportion to the ownership share of the  
7 project, up to five thousand dollars per year.

8 (d) Where the applicant is a company owning a community solar  
9 project that has applied for an investment cost recovery incentive on  
10 behalf of its members, each member of the company is eligible for an  
11 incentive that would otherwise belong to the company but only in  
12 proportion to each ownership share of the company, up to five  
13 thousand dollars per year. The company itself is not eligible for  
14 incentives under this section.

15 (e) In the case of a utility-owned community solar project, each  
16 ratepayer that contributes to the project is eligible for an  
17 incentive in proportion to the contribution, up to five thousand  
18 dollars per year.

19 (6) If requests for the investment cost recovery incentive under  
20 this section exceed the amount of funds available for credit to the  
21 participating light and power business, the light and power business  
22 must reduce the incentive payments (~~must be reduced~~)  
23 proportionately.

24 (7) The climate and rural energy development center at Washington  
25 State University energy program may establish guidelines and  
26 standards for technologies that are identified as Washington  
27 manufactured and therefore most beneficial to the state's  
28 environment.

29 (8) The environmental attributes of the renewable energy system  
30 belong to the applicant, and do not transfer to the state or the  
31 light and power business upon receipt of the investment cost recovery  
32 incentive.

33 (9) No incentive may be paid under this section for kilowatt-  
34 hours generated before July 1, 2005, or after June 30, 2020.

35 (10) Beginning July 1, 2016, program management, technical  
36 review, and tracking responsibilities of the department under this  
37 section are transferred to the Washington State University extension  
38 energy program. At the earliest date practicable, the department must  
39 transfer all records necessary for the administration of the



1 remaining incentive payments due under this section to the Washington  
2 State University extension energy program.

3 **Sec. 4.** RCW 82.16.130 and 2010 c 202 s 3 are each amended to  
4 read as follows:

5 (1) A light and power business shall be allowed a credit against  
6 taxes due under this chapter in an amount equal to ~~((investment-cost~~  
7 ~~recovery))~~ incentive payments made in any fiscal year under RCW  
8 82.16.120 and section 6 of this act.

9 (2) The credits ~~((shall))~~ must be taken in a form and manner as  
10 required by the department. The credit under this section for the  
11 fiscal year may not exceed ~~((one-half))~~ two percent of the  
12 businesses' taxable power sales generated in calendar year 2014 and  
13 due under RCW 82.16.020(1)(b) or ((one)) two hundred fifty thousand  
14 dollars, whichever is greater. Incentive payments to participants in  
15 a ((utility-owned)) community solar project ((as defined in RCW  
16 82.16.110(2)(a)(ii)) may only account for up to twenty-five percent  
17 of the total allowable credit. ((Incentive payments to participants  
18 in a company owned community solar project as defined in RCW  
19 82.16.110(2)(a)(iii) may only account for up to five percent of the  
20 total allowable credit.))

21 (3) The credit may not exceed the tax that would otherwise be due  
22 under this chapter. Refunds shall not be granted in the place of  
23 credits. Expenditures not used to earn a credit in one fiscal year  
24 may not be used to earn a credit in subsequent years.

25 ~~((+2))~~ (4) For any business that has claimed credit for amounts  
26 that exceed the correct amount of the incentive payable under RCW  
27 82.16.120, the amount of tax against which credit was claimed for the  
28 excess payments shall be immediately due and payable. The department  
29 may deduct amounts due from future incentive payments.

30 (a) Except as provided in (b) of this subsection, the department  
31 ~~((shall))~~ must assess interest but not penalties on the taxes against  
32 which the credit was claimed. Interest ~~((shall))~~ must be assessed at  
33 the rate provided for delinquent excise taxes under chapter 82.32  
34 RCW, retroactively to the date the credit was claimed, and ~~((shall))~~  
35 accrues until the taxes against which the credit was claimed are  
36 repaid.

37 ~~((+3))~~ (b) A business is not liable for excess payments made in  
38 reliance on amounts reported by the Washington State University  
39 extension energy program as due and payable as provided under section

1 6(18) of this act, if such amounts are later found to be abnormal or  
2 inaccurate due to no fault of the business.

3 (5) The amount of credit taken under this section is not  
4 confidential taxpayer information under RCW 82.32.330 and is subject  
5 to disclosure.

6 (6) The right to earn tax credits under this section expires June  
7 30, ((2020)) 2030. Credits may not be claimed after June 30, ((2021))  
8 2031.

9 NEW SECTION. Sec. 5. A new section is added to chapter 82.16  
10 RCW to read as follows:

11 The definitions in this section apply throughout this section and  
12 sections 6 and 7 of this act unless the context clearly requires  
13 otherwise.

14 (1) "Certification" means the authorization issued by the  
15 Washington State University extension energy program establishing a  
16 person's eligibility to receive annual incentive payments from the  
17 person's utility for a term of ten years.

18 (2) "Class A system" means a renewable energy system or systems  
19 located at a single situs with combined nameplate capacity of twelve  
20 kilowatts or less that meets the applicable system eligibility  
21 requirements established in section 6 of this act.

22 (3) "Class B system" means a renewable energy system or systems  
23 other than a community solar project with a combined nameplate  
24 capacity greater than twelve kilowatts that meets the applicable  
25 system eligibility requirements established in section 6 of this act.

26 (4) "Community solar project" means a solar energy system that  
27 has a direct current nameplate generating capacity that is no larger  
28 than five hundred kilowatts and meets the applicable eligibility  
29 requirements established in sections 6 and 7 of this act.

30 (5) "Community solar program" means a program organized and  
31 administered by a utility or a nonprofit organization to develop  
32 community solar projects pursuant to section 7 of this act.

33 (6) "Consumer-owned utility" has the same meaning as in RCW  
34 19.280.020.

35 (7) "Customer-owner" means the owner of a class A or class B  
36 renewable energy system, where such owner is not a utility and such  
37 owner either owns the premises where the renewable energy system is  
38 installed or occupies the premises.

1 (8) "Nonprofit organization" means an entity or organization in  
2 which no part of the income of the entity or organization is  
3 distributable to its members, directors, or officers.

4 (9) "Person" means any individual, firm, partnership,  
5 corporation, company, association, agency, or any other legal entity.

6 (10) "Renewable energy system" means a solar energy system,  
7 including a community solar project, an anaerobic digester as defined  
8 in RCW 82.08.900, or a wind generator used for producing electricity.

9 (11) "Utility" means a consumer-owned utility or investor-owned  
10 utility as those terms are defined in RCW 19.280.020.

11 NEW SECTION. **Sec. 6.** A new section is added to chapter 82.16  
12 RCW to read as follows:

13 (1) Beginning July 1, 2016, the following persons may apply to  
14 the Washington State University extension energy program to receive a  
15 certification authorizing the utility serving the situs of a  
16 renewable energy system in the state of Washington to remit an annual  
17 production incentive for each kilowatt-hour of alternating current  
18 electricity generated by the renewable energy system:

19 (a) The customer-owner of a class A or class B renewable energy  
20 system; or

21 (b) The nonprofit organization or utility that administers a  
22 community solar project meeting the eligibility requirements outlined  
23 in section 7 of this act and applies for certification on behalf of  
24 each of the project participants.

25 (2)(a) No new certification may be issued under this section for  
26 a renewable energy system that was certified under RCW 82.16.120, or  
27 a renewable energy system served by a utility that has elected not to  
28 participate in the incentive program, as provided in subsection (3)  
29 of this section.

30 (b) No new certification may be issued under this section for an  
31 additional system, either class A or class B, if a class A or class B  
32 system at the same situs or at the same billing meter has already  
33 been certified under this section. Instead, an applicant may seek  
34 recertification of an expanded system, as provided in (c) of this  
35 subsection.

36 (c) The Washington State University extension energy program may  
37 issue a recertification for a class A or class B system if a customer  
38 makes investments resulting in an expansion of the system's nameplate  
39 capacity. Such recertification expires on the same day as the

1 original certification for the class A or class B system and applies  
2 to the entire system the incentive rates and program rules in effect  
3 as of the date of the recertification.

4 (3) A utility's participation in the incentive program provided  
5 in this section is voluntary.

6 (a) A utility electing to participate in the incentive program  
7 must notify the Washington State University extension energy program  
8 of such election in writing.

9 (b) The utility may terminate its voluntary participation in the  
10 production incentive program by providing notice in writing to the  
11 Washington State University extension energy program to cease issuing  
12 new certifications for renewable energy systems that would be served  
13 by that utility.

14 (c) Such notice of termination of participation is effective  
15 after fifteen days, at which point the Washington State University  
16 extension energy program may not accept new applications for  
17 certification of renewable energy systems that would be served by  
18 that utility.

19 (d) Upon receiving a utility's notice of termination of  
20 participation in the incentive program, the Washington State  
21 University extension energy program must report on its web site that  
22 customers of that utility are no longer eligible to receive new  
23 certifications under the program.

24 (e) A utility's termination of participation does not affect the  
25 utility's obligation to continue to make annual incentive payments  
26 for electricity generated by systems that were certified prior to the  
27 effective date of the notice. The Washington State University  
28 extension energy program must continue to process and issue  
29 certifications for renewable energy systems that were received by the  
30 Washington State University extension energy program before the  
31 effective date of the notice of termination.

32 (f) A utility that has terminated participation in the program  
33 may resume participation upon filing notice with the Washington State  
34 University extension energy program.

35 (4) The Washington State University extension energy program may  
36 certify a renewable energy system that meets the following system  
37 eligibility criteria:

38 (a) The renewable energy system is connected to equipment capable  
39 of measuring the electricity production of the system and  
40 interconnecting with the utility's system in a manner that allows the

1 utility, or the customer at the utility's option, to measure and  
2 report by mail or electronically to the Washington State University  
3 extension energy program the total amount of electricity produced by  
4 the renewable energy system.

5 (b) Beginning January 1, 2019, if the renewable energy system is  
6 a solar energy system, the solar module manufacturer, as the term is  
7 defined in section 8 of this act, is registered as a participant in  
8 the solar module recycling program described in section 8 of this  
9 act.

10 (5) The Washington State University extension energy program may  
11 authorize annual incentive payments up to the following limits:

12 (a) For community solar projects, five thousand dollars per  
13 project participant; and

14 (b) For class B systems, twenty-five thousand dollars.

15 (6) To obtain certification to receive the annual production  
16 incentive payments provided in this section for electricity produced  
17 by a renewable energy system, a person must submit to the Washington  
18 State University extension energy program an application, including:

19 (a) An affidavit that the applicant has not previously received a  
20 certification from the department under RCW 82.16.120 entitling the  
21 applicant to receive annual incentive payments for electricity  
22 generated by the renewable energy system at the same meter location;

23 (b) Any other information the Washington State University  
24 extension energy program deems necessary in determining eligibility  
25 and incentive levels, administering the program, tracking progress  
26 toward achieving the limits on program participation established in  
27 RCW 82.16.130, or facilitating the review of the performance of the  
28 tax preferences by the joint legislative audit and review committee,  
29 as described in section 2 of this act; and

30 (c)(i) Except as provided in (c)(ii) of this subsection (6), the  
31 date that the renewable energy system received its final electrical  
32 inspection from the applicable local jurisdiction, as well as a copy  
33 of the permit.

34 (ii) The Washington State University extension energy program may  
35 waive the requirement in (c)(i) of this subsection (6), accepting an  
36 application and granting provisional certification prior to proof of  
37 final electrical inspection. Provisional certification expires one  
38 hundred eighty days after issuance, unless the applicant submits  
39 proof of the final electrical inspection from the applicable local  
40 jurisdiction or the Washington State University extension energy

1 program extends the certification, for a term or terms of thirty  
2 days, due to extenuating circumstances.

3 (7) Incentive payments may not be authorized until the final  
4 electrical inspection and executed interconnection agreement are  
5 submitted to the Washington State University extension energy  
6 program.

7 (8) Within thirty days of receipt of the application for  
8 certification, the Washington State University extension energy  
9 program must notify the applicant and the utility serving the situs  
10 of the system, by mail or electronically, whether certification has  
11 been granted. The certification notice must state the rate to be paid  
12 per kilowatt-hour of electricity generated by the renewable energy  
13 system, as provided in subsection (11) of this section, subject to  
14 any applicable cap on total annual payment provided in subsection (5)  
15 of this section.

16 (9) Certification is valid for ten years and may not be  
17 retroactively changed except to correct later discovered errors that  
18 were made during the original application or certification process.

19 (10) System certification follows the system with the transfer of  
20 property at the situs of the system if the following conditions are  
21 met using procedures established by the Washington State University  
22 extension energy program:

23 (a) The new customer-owner of a renewable energy system notifies  
24 the Washington State University extension energy program of the  
25 transfer; and

26 (b) The new customer-owner provides an executed interconnection  
27 agreement with the utility serving the premises.

28 (11) The Washington State University extension energy program  
29 must determine the total incentive rate for a new renewable energy  
30 system certification by adding to the base rate any applicable made-  
31 in-Washington bonus rate. Both the base rates and bonus rate vary,  
32 depending on the fiscal year in which the system is certified and the  
33 type of renewable energy system being certified, as provided in this  
34 section.

35 (a) In fiscal year 2017, the Washington State University  
36 extension energy program must provide a base incentive rate for new  
37 system certifications of twenty-two cents per kilowatt-hour generated  
38 by a class A system, eighteen cents per kilowatt-hour generated by a  
39 class B system, or thirty-two cents per kilowatt-hour generated by a  
40 community solar project. In fiscal year 2017, the Washington State

1 University extension energy program must provide a bonus rate of ten  
 2 cents per kilowatt-hour for electricity generated by a renewable  
 3 energy system with solar modules made in Washington or with a wind  
 4 turbine or tower that is made in Washington, as provided in  
 5 subsection (15) of this section.

6 (b) For new system certifications after fiscal year 2017, the  
 7 rates certified must decline as follows:

8	Fiscal year	Base	Base	Base rate -	Made in
9	of system	rate -	rate -	community	Washington
10	certification	class	class	solar	bonus
11		A	B		
12	2017	\$0.22	\$0.18	\$0.32	\$0.10
13	2018	\$0.20	\$0.16	\$0.30	\$0.08
14	2019	\$0.18	\$0.14	\$0.28	\$0.06
15	2020	\$0.16	\$0.12	\$0.26	\$0.04

16 (c) Certification of a renewable energy system entitles the  
 17 recipient to receive incentive payments for electricity generated for  
 18 a period of ten years from the date the system commences operation.  
 19 For purposes of this section, the Washington State University  
 20 extension energy program must define when a renewable energy system  
 21 commences operation.

22 (12) The Washington State University extension energy program  
 23 must cease to issue new certifications:

24 (a) For community solar projects in any fiscal year that twenty-  
 25 five percent of available funds for credit that year under RCW  
 26 82.16.130 have been allocated to community solar projects; and

27 (b) For any additional renewable energy system served by a  
 28 utility, if certification is likely to result in incentive payments  
 29 by that utility exceeding the utility's available funds for credit  
 30 under RCW 82.16.130.

31 (13) If the Washington State University extension energy program  
 32 ceases issuing new certifications during a fiscal year or biennium as  
 33 provided in subsection (12) of this section, in the following fiscal  
 34 year or biennium, or when additional funds are available for credit  
 35 such that the thresholds described in subsection (12) of this section  
 36 are no longer exceeded, the Washington State University extension  
 37 energy program shall resume issuing new certifications using a method

1 of awarding certifications that results in equitable and orderly  
2 allocation of benefits to applicants.

3 (14) In order to begin to receive annual incentive payments, a  
4 person who has been issued a certification for the incentive as  
5 provided in subsection (8) of this section must submit the  
6 certification to the utility serving the situs of the system and must  
7 obtain an executed interconnection agreement with the utility.

8 (15) The Washington State University extension energy program  
9 must establish a list of equipment that is eligible for the bonus  
10 rates described in subsection (11) of this section. The Washington  
11 State University extension energy program shall, in consultation with  
12 the department of commerce, develop technical specifications and  
13 guidelines to ensure consistent and predictable determination of  
14 eligibility. A solar module is made in Washington for purposes of  
15 receiving the bonus rate only if the lamination of the module takes  
16 place in Washington. A wind turbine is made in Washington only if it  
17 is powered by a turbine or built with a tower manufactured in  
18 Washington.

19 (16) The manufacturer of a renewable energy system component  
20 subject to a bonus rate under subsection (11) of this section may  
21 apply to the Washington State University extension energy program to  
22 receive a determination of eligibility for such bonus rates. The  
23 Washington State University extension energy program must publish a  
24 list of components that have been certified as eligible for such  
25 bonus rates. The Washington State University extension energy program  
26 may assess an equipment certification fee to recover its costs.

27 (17) Annually, the utility must report to the Washington State  
28 University extension energy program the amount of gross kilowatt-  
29 hours generated by each renewable energy system since the prior  
30 annual report.

31 (18)(a) The Washington State University extension energy program  
32 must calculate for the year and provide to the utility the amount of  
33 the incentive payment due to each participant and the total amount of  
34 credit against tax due available to the utility under RCW 82.16.130  
35 that has been allocated as annual incentive payments. Upon notice to  
36 the Washington State University extension energy program, a utility  
37 may opt to directly perform this calculation and provide its results  
38 to the Washington State University extension energy program.

39 (b) If the Washington State University extension energy program  
40 identifies an abnormal production claim, it must notify the utility,



1 the department of revenue, and the applicant, and must recommend  
2 withholding payment until the applicant has demonstrated that the  
3 production claim is accurate and valid. The utility is not liable to  
4 the customer for withholding payments pursuant to such recommendation  
5 unless and until the Washington State University extension energy  
6 program notifies the utility to resume incentive payments.

7 (19) The utility must issue the incentive payment within thirty  
8 days of receipt of the information required under subsection (18)(a)  
9 of this section from the Washington State University extension energy  
10 program. The utility must resume the incentive payments withheld  
11 under subsection (18)(b) of this section within thirty days of  
12 receiving notice from the Washington State University extension  
13 energy program that the claim has been demonstrated accurate and  
14 valid and payment should be resumed.

15 (20) Beginning January 1, 2017, the Washington State University  
16 extension energy program must post on its web site and update at  
17 least monthly a report, by utility, of:

18 (a) The number of certifications issued for renewable energy  
19 systems, including estimated system sizes, costs, and annual energy  
20 production and incentive yields for various system types; and

21 (b) An estimate of the amount of credit that has not yet been  
22 allocated for incentive payments under each utility's credit limit  
23 and remains available for new renewable energy system certifications.

24 (21) Persons receiving incentive payments under this section must  
25 keep and preserve, for a period of five years for the duration of the  
26 consumer contract, suitable records as may be necessary to determine  
27 the amount of incentive payments applied for and received. The  
28 Washington State University extension energy program may direct a  
29 utility to cease issuing incentive payments if the records are not  
30 made available for examination upon request. A utility receiving such  
31 a directive is not liable to the applicant for any incentive payments  
32 or other damages for ceasing payments pursuant to the directive.

33 (22) The nonpower attributes of the renewable energy system  
34 belong to the utility customer who owns or hosts the system and can  
35 be kept, sold, or transferred at the utility customer's discretion.

36 (23) All lists, technical specifications, determinations, and  
37 guidelines developed under this section must be made publicly  
38 available online by the Washington State University extension energy  
39 program.

1 (24) No certification may be issued under this section after June  
2 30, 2020.

3 (25) The Washington State University extension energy program may  
4 establish a one-time fee for a class A system, a class B system, and  
5 a community solar project, to be paid by the applicant in order to  
6 recover its costs in administering the incentive program.

7 (26) The Washington State University extension energy program  
8 may, through a public process, develop any program requirements and  
9 policies necessary for the administration of this section, RCW  
10 82.16.120, and sections 2, 5, and 7 of this act. The department is  
11 authorized, in consultation with the Washington State University  
12 extension energy program, to adopt any rules necessary for  
13 administration of the program.

14 (27) Applications, certifications, requests for incentive  
15 payments under this section, and the information contained therein  
16 are not deemed tax information under RCW 82.32.330 and are subject to  
17 disclosure.

18 (28) The department of commerce must report to the legislature by  
19 December 1, 2018:

20 (a) The actual or estimated cost of class A, class B, and  
21 community solar systems, including system components and installation  
22 costs, for the previous fiscal quarter; and

23 (b) Based in part on the data provided in (a) of this subsection  
24 (28), estimated incentive rates to replace the rates under section  
25 6(11)(b) of this act for new system certifications beginning January  
26 1, 2019, with rates that are expected to result in a ten-year payback  
27 of the system component and installation costs to the customer-owner  
28 or community solar project participant.

29 NEW SECTION. **Sec. 7.** A new section is added to chapter 82.16  
30 RCW to read as follows:

31 (1) Beginning July 1, 2016, a utility or nonprofit organization  
32 is eligible to organize and administer a community solar program as  
33 provided in this section.

34 (2) The purpose of the community solar program is to facilitate  
35 broad community investment and access to solar power.

36 (a) A utility or nonprofit organization participating in a  
37 community solar program is encouraged to consult with low-income  
38 housing providers to identify projects reasonably expected to

1 contribute to broader community participation in the benefits  
2 conferred by this tax preference.

3 (b) In consultation with the Washington State University  
4 extension energy program, each utility organizing and administering a  
5 community solar project must establish and publish procedures to  
6 ensure that the electric utility's program is consistent with the  
7 purpose of this section.

8 (c) Each utility or nonprofit organization administering a  
9 community solar project must do so in a transparent manner that  
10 allows for fair and nondiscriminatory opportunity for participation  
11 by utility customers.

12 (3) A community solar project must have:

13 (a) A direct current nameplate capacity that is no more than five  
14 hundred kilowatts; and

15 (b) At least ten participants, each of which is a customer of the  
16 utility providing service at the situs of the community solar  
17 project.

18 (4) If the community solar project is organized and administered  
19 by a nonprofit organization, the nonprofit organization must submit a  
20 project proposal, including a business plan, to the Washington State  
21 University extension energy program.

22 (a) Before June 30, 2016, the Washington State University  
23 extension energy program must publish guidelines that the Washington  
24 State University extension energy program will use in determining  
25 eligibility of community solar projects submitted under this  
26 subsection (4).

27 (b) In determining whether a community solar project submitted  
28 under this subsection by a nonprofit organization is eligible to  
29 receive the incentive provided in section 6 of this act, the  
30 Washington State University extension energy program must consider  
31 the extent to which the project will expand access in the solar  
32 marketplace to a greater range of participants, increase the  
33 cost-effectiveness of the state investment, afford a benefit to  
34 low-income individuals, and achieve any other objectives consistent  
35 with the purposes of this chapter.

36 (5) The utility or nonprofit organization administering a  
37 community solar project may establish a reasonable fee to cover costs  
38 incurred in organizing and administering the community solar program.  
39 Project participants, prior to making the commitment to participate

1 in the project, must be given clear and conspicuous notice of the  
2 portion of the incentive payment that will be used for this purpose.

3 NEW SECTION. **Sec. 8.** A new section is added to chapter 70.95N  
4 RCW to read as follows:

5 (1) The legislature finds that a convenient, safe, and  
6 environmentally sound system for the decommissioning and recycling of  
7 solar modules must be established. The legislature further finds that  
8 the responsibility for this system must be shared among all  
9 stakeholders, with manufacturers financing the decommissioning and  
10 recycling system.

11 (2) The department must provide guidance for solar module  
12 manufacturers on an effective, self-directed solar module collection  
13 and recycling program.

14 (3)(a) The department must review and approve or disapprove any  
15 solar module collection and recycling program plans submitted by a  
16 manufacturer. The department must approve a manufacturer's plan if it  
17 determines that the plan:

18 (i) Is reasonably calculated to maximize collection rates and  
19 minimize disposal of solar modules or components of solar modules as  
20 waste;

21 (ii) Is reasonably designed to maximize the amount of material  
22 responsibly recycled given the current market circumstances; and

23 (iii) Includes a mechanism for financing the collection,  
24 transportation, and recycling of solar modules.

25 (b) The department may consult with the Washington State  
26 University extension energy program concerning solar market  
27 conditions and any other information considered necessary to  
28 determine if a solar module collection and recycling program is cost-  
29 effective and protective of the environment.

30 (4) Beginning January 1, 2019, in order for a solar energy system  
31 to be eligible for incentive payments under section 6 of this act, a  
32 manufacturer of the solar module must have a plan filed with the  
33 department consistent with the purposes of this section, and must  
34 have implemented any financial mechanism identified by the plan as  
35 provided in subsection (3)(a)(iii) of this section.

36 (5) By February 1, 2017, the department must establish and  
37 implement a process to provide guidance described in subsection (2)  
38 of this section and plan review and approval described in subsections  
39 (3) and (4) of this section and consult with manufacturers that may

1 file a plan prior to the establishment of the plan review and  
2 approval process. Upon adoption by the department of a plan review  
3 and approval process, the department must expedite review and  
4 approval of any previously filed plans.

5 (6) The department may collect a fee from participating  
6 manufacturers for the plan review and approval process. The fee is to  
7 be charged based on the following formula: Department administrative  
8 costs divided by the manufacturer's pro rata share of the Washington  
9 state solar module sales in the most recent preceding calendar year,  
10 based on the best available information or estimate from the  
11 Washington State University extension energy program.

12 (7) For purposes of this section, "manufacturer" means any  
13 person, in business or no longer in business but having a successor  
14 in interest, who, irrespective of the selling technique used,  
15 including by means of distance or remote sale:

16 (a) Manufactures or has manufactured a solar module under its own  
17 brand names for sale in or into this state;

18 (b) Assembles or has assembled a solar module that uses parts  
19 manufactured by others for sale in or into this state under the  
20 assembler's brand names;

21 (c) Resells or has resold in or into this state under its own  
22 brand names a solar module produced by other suppliers, including  
23 retail establishments that sell solar modules under their own brand  
24 names;

25 (d) Manufactures or manufactured a cobranded solar module product  
26 for sale in or into this state that carries the name of both the  
27 manufacturer and a retailer;

28 (e) Imports or has imported a solar module into the United States  
29 that is sold in or into this state. However, if the imported solar  
30 module is manufactured by any person with a presence in the United  
31 States meeting the criteria of manufacturer under (a) through (d) of  
32 this subsection, that person is the manufacturer;

33 (f) Sells at retail a solar module acquired from an importer that  
34 is the manufacturer as described in (e) of this subsection, and  
35 elects to register in lieu of the importer as the manufacturer for  
36 those products; or

37 (g) Elects to assume the responsibility and register in lieu of a  
38 manufacturer as defined under this section.

1       **Sec. 9.** RCW 82.08.962 and 2013 2nd sp.s. c 13 s 1502 are each  
2 amended to read as follows:

3       (1)(a) Except as provided in RCW 82.08.963, purchasers who have  
4 paid the tax imposed by RCW 82.08.020 on machinery and equipment used  
5 directly in generating electricity using fuel cells, wind, sun,  
6 biomass energy, tidal or wave energy, geothermal resources, anaerobic  
7 digestion, technology that converts otherwise lost energy from  
8 exhaust, or landfill gas as the principal source of power, or to  
9 sales of or charges made for labor and services rendered in respect  
10 to installing such machinery and equipment, are eligible for an  
11 exemption as provided in this section, but only if the purchaser  
12 develops with such machinery, equipment, and labor a facility capable  
13 of generating not less than one thousand watts of electricity.

14       (b) Beginning on July 1, 2009, through June 30, 2011, the tax  
15 levied by RCW 82.08.020 does not apply to the sale of machinery and  
16 equipment described in (a) of this subsection that are used directly  
17 in generating electricity or to sales of or charges made for labor  
18 and services rendered in respect to installing such machinery and  
19 equipment.

20       (c) Beginning on July 1, 2011, through January 1, 2020, the  
21 amount of the exemption under this subsection (1) is equal to  
22 seventy-five percent of the state and local sales tax paid. The  
23 purchaser is eligible for an exemption under this subsection (1)(c)  
24 in the form of a remittance.

25       (2) For purposes of this section and RCW 82.12.962, the following  
26 definitions apply:

27       (a) "Biomass energy" includes: (i) By-products of pulping and  
28 wood manufacturing process; (ii) animal waste; (iii) solid organic  
29 fuels from wood; (iv) forest or field residues; (v) wooden demolition  
30 or construction debris; (vi) food waste; (vii) liquors derived from  
31 algae and other sources; (viii) dedicated energy crops; (ix)  
32 biosolids; and (x) yard waste. "Biomass energy" does not include wood  
33 pieces that have been treated with chemical preservatives such as  
34 creosote, pentachlorophenol, or copper-chrome-arsenic; wood from old  
35 growth forests; or municipal solid waste.

36       (b) "Fuel cell" means an electrochemical reaction that generates  
37 electricity by combining atoms of hydrogen and oxygen in the presence  
38 of a catalyst.

39       (c) "Landfill gas" means biomass fuel, of the type qualified for  
40 federal tax credits under Title 26 U.S.C. Sec. 29 of the federal

1 internal revenue code, collected from a "landfill" as defined under  
2 RCW 70.95.030.

3 (d)(i) "Machinery and equipment" means fixtures, devices, and  
4 support facilities that are integral and necessary to the generation  
5 of electricity using fuel cells, wind, sun, biomass energy, tidal or  
6 wave energy, geothermal resources, anaerobic digestion, technology  
7 that converts otherwise lost energy from exhaust, or landfill gas as  
8 the principal source of power.

9 (ii) "Machinery and equipment" does not include: (A) Hand-powered  
10 tools; (B) property with a useful life of less than one year; (C)  
11 repair parts required to restore machinery and equipment to normal  
12 working order; (D) replacement parts that do not increase  
13 productivity, improve efficiency, or extend the useful life of  
14 machinery and equipment; (E) buildings; or (F) building fixtures that  
15 are not integral and necessary to the generation of electricity that  
16 are permanently affixed to and become a physical part of a building.

17 (3)(a) Machinery and equipment is "used directly" in generating  
18 electricity by wind energy, solar energy, biomass energy, tidal or  
19 wave energy, geothermal resources, anaerobic digestion, technology  
20 that converts otherwise lost energy from exhaust, or landfill gas  
21 power if it provides any part of the process that captures the energy  
22 of the wind, sun, biomass energy, tidal or wave energy, geothermal  
23 resources, anaerobic digestion, technology that converts otherwise  
24 lost energy from exhaust, or landfill gas, converts that energy to  
25 electricity, and stores, transforms, or transmits that electricity  
26 for entry into or operation in parallel with electric transmission  
27 and distribution systems.

28 (b) Machinery and equipment is "used directly" in generating  
29 electricity by fuel cells if it provides any part of the process that  
30 captures the energy of the fuel, converts that energy to electricity,  
31 and stores, transforms, or transmits that electricity for entry into  
32 or operation in parallel with electric transmission and distribution  
33 systems.

34 (4)(a) A purchaser claiming an exemption in the form of a  
35 remittance under subsection (1)(c) of this section must pay the tax  
36 imposed by RCW 82.08.020 and all applicable local sales taxes imposed  
37 under the authority of chapters 82.14 and 81.104 RCW. The purchaser  
38 may then apply to the department for remittance in a form and manner  
39 prescribed by the department. A purchaser may not apply for a  
40 remittance under this section more frequently than once per quarter.

1 The purchaser must specify the amount of exempted tax claimed and the  
2 qualifying purchases for which the exemption is claimed. The  
3 purchaser must retain, in adequate detail, records to enable the  
4 department to determine whether the purchaser is entitled to an  
5 exemption under this section, including: Invoices; proof of tax paid;  
6 and documents describing the machinery and equipment.

7 (b) The department must determine eligibility under this section  
8 based on the information provided by the purchaser, which is subject  
9 to audit verification by the department. The department must on a  
10 quarterly basis remit exempted amounts to qualifying purchasers who  
11 submitted applications during the previous quarter.

12 (5) The exemption provided by this section expires June 30, 2016,  
13 as it applies to: (a) Machinery and equipment that is used directly  
14 in the generation of electricity using solar energy and capable of  
15 generating no more than five hundred kilowatts of electricity; or (b)  
16 sales of or charges made for labor and services rendered in respect  
17 to installing such machinery and equipment.

18 (6) This section expires January 1, 2020.

19 **Sec. 10.** RCW 82.08.963 and 2013 2nd sp.s. c 13 s 1602 are each  
20 amended to read as follows:

21 (1) The tax levied by RCW 82.08.020 does not apply to sales of  
22 machinery and equipment used directly in generating electricity or  
23 producing thermal heat using solar energy, or to sales of or charges  
24 made for labor and services rendered in respect to installing such  
25 machinery and equipment, but only if the purchaser develops with such  
26 machinery, equipment, and labor a facility capable of generating not  
27 more than ten kilowatts of electricity or producing not more than  
28 three million British thermal units per day and provides the seller  
29 with an exemption certificate in a form and manner prescribed by the  
30 department. The seller must retain a copy of the certificate for the  
31 seller's files. For sellers who electronically file their taxes, the  
32 department must provide a separate tax reporting line for exemption  
33 amounts claimed by a buyer under this section.

34 (2) For purposes of this section and RCW 82.12.963:

35 (a) "Machinery and equipment" means industrial fixtures, devices,  
36 and support facilities that are integral and necessary to the  
37 generation of electricity or production and use of thermal heat using  
38 solar energy;



1 (b) "Machinery and equipment" does not include: (i) Hand-powered  
2 tools; (ii) property with a useful life of less than one year; (iii)  
3 repair parts required to restore machinery and equipment to normal  
4 working order; (iv) replacement parts that do not increase  
5 productivity, improve efficiency, or extend the useful life of  
6 machinery and equipment; (v) buildings; or (vi) building fixtures  
7 that are not integral and necessary to the generation of electricity  
8 that are permanently affixed to and become a physical part of a  
9 building;

10 (c) Machinery and equipment is "used directly" in generating  
11 electricity with solar energy if it provides any part of the process  
12 that captures the energy of the sun, converts that energy to  
13 electricity, and stores, transforms, or transmits that electricity  
14 for entry into or operation in parallel with electric transmission  
15 and distribution systems; and

16 (d) Machinery and equipment is "used directly" in producing  
17 thermal heat with solar energy if it uses a solar collector or a  
18 solar hot water system that (i) meets the certification standards for  
19 solar collectors and solar hot water systems developed by the solar  
20 rating and certification corporation; or (ii) is determined by the  
21 Washington State University extension whether a solar collector or  
22 solar hot water system is an equivalent collector or system.

23 (3) The exemption provided by this section for the sales of  
24 machinery and equipment that is used directly in the generation of  
25 electricity using solar energy, or for sales of or charges made for  
26 labor or services rendered in respect to installing such machinery  
27 and equipment, expires June 30, 2016.

28 (4) This section expires June 30, 2018.

29 **Sec. 11.** RCW 82.12.962 and 2013 2nd sp.s. c 13 s 1505 are each  
30 amended to read as follows:

31 (1)(a) Except as provided in RCW 82.12.963, consumers who have  
32 paid the tax imposed by RCW 82.12.020 on machinery and equipment used  
33 directly in generating electricity using fuel cells, wind, sun,  
34 biomass energy, tidal or wave energy, geothermal resources, anaerobic  
35 digestion, technology that converts otherwise lost energy from  
36 exhaust, or landfill gas as the principal source of power, or to  
37 sales of or charges made for labor and services rendered in respect  
38 to installing such machinery and equipment, are eligible for an  
39 exemption as provided in this section, but only if the purchaser

1 develops with such machinery, equipment, and labor a facility capable  
2 of generating not less than one thousand watts of electricity.

3 (b) Beginning on July 1, 2009, through June 30, 2011, the  
4 provisions of this chapter do not apply in respect to the use of  
5 machinery and equipment described in (a) of this subsection that are  
6 used directly in generating electricity or to sales of or charges  
7 made for labor and services rendered in respect to installing such  
8 machinery and equipment.

9 (c) Beginning on July 1, 2011, through January 1, 2020, the  
10 amount of the exemption under this subsection (1) is equal to  
11 seventy-five percent of the state and local sales tax paid. The  
12 consumer is eligible for an exemption under this subsection (1)(c) in  
13 the form of a remittance.

14 (2)(a) A person claiming an exemption in the form of a remittance  
15 under subsection (1)(c) of this section must pay the tax imposed by  
16 RCW 82.12.020 and all applicable local use taxes imposed under the  
17 authority of chapters 82.14 and 81.104 RCW. The consumer may then  
18 apply to the department for remittance in a form and manner  
19 prescribed by the department. A consumer may not apply for a  
20 remittance under this section more frequently than once per quarter.  
21 The consumer must specify the amount of exempted tax claimed and the  
22 qualifying purchases or acquisitions for which the exemption is  
23 claimed. The consumer must retain, in adequate detail, records to  
24 enable the department to determine whether the consumer is entitled  
25 to an exemption under this section, including: Invoices; proof of tax  
26 paid; and documents describing the machinery and equipment.

27 (b) The department must determine eligibility under this section  
28 based on the information provided by the consumer, which is subject  
29 to audit verification by the department. The department must on a  
30 quarterly basis remit exempted amounts to qualifying consumers who  
31 submitted applications during the previous quarter.

32 (3) Purchases exempt under RCW 82.08.962 are also exempt from the  
33 tax imposed under RCW 82.12.020.

34 (4) The definitions in RCW 82.08.962 apply to this section.

35 (5) The exemption provided in subsection (1) of this section does  
36 not apply:

37 (a) To machinery and equipment used directly in the generation of  
38 electricity using solar energy and capable of generating no more than  
39 five hundred kilowatts of electricity, or to sales of or charges made  
40 for labor and services rendered in respect to installing such

1 machinery and equipment, when first use within this state of such  
2 machinery and equipment, or labor and services, occurs after June 30,  
3 2016; and

4 (b) To any other machinery and equipment described in subsection  
5 (1)(a) of this section, or to sales of or charges made for labor and  
6 services rendered in respect to installing such machinery or  
7 equipment, when first use within this state of such machinery and  
8 equipment, or labor and services, occurs after December 31, 2019.

9 (6) This section expires January 1, 2020.

10 **Sec. 12.** RCW 82.12.963 and 2013 2nd sp.s. c 13 s 1603 are each  
11 amended to read as follows:

12 (1) The provisions of this chapter do not apply with respect to  
13 machinery and equipment used directly in generating not more than ten  
14 kilowatts of electricity or producing not more than three million  
15 British thermal units per day using solar energy, or to the use of  
16 labor and services rendered in respect to installing such machinery  
17 and equipment.

18 (2) The definitions in RCW 82.08.963 apply to this section.

19 (3) The exemption provided by this section does not apply:

20 (a) To the use of machinery and equipment used directly in the  
21 generation of electricity using solar energy, or to the use of labor  
22 and services rendered in respect to installing such machinery and  
23 equipment, when first use within this state of such machinery and  
24 equipment, or labor and services, occurs after June 30, 2016; and

25 (b) To the use of any machinery or equipment used directly in  
26 producing thermal heat using solar energy, or to the use of labor and  
27 services rendered in respect to installing such machinery or  
28 equipment, when first use within this state of such machinery and  
29 equipment, or labor and services, occurs after June 30, 2018.

30 (4) This section expires June 30, 2018.

31 NEW SECTION. **Sec. 13.** This act is necessary for the immediate  
32 preservation of the public peace, health, or safety, or support of  
33 the state government and its existing public institutions, and takes  
34 effect immediately.

--- END ---