**6012-S AMS HAWK S4494.1 - NOT FOR FLOOR USE**

**SSB 6012** - S AMD **889**

By Senator Hawkins

**NOT CONSIDERED 12/23/2019**

Strike everything after the enacting clause and insert the following:

"NEW SECTION. **Sec.**  A new section is added to chapter 82.08 RCW to read as follows:

(1) Qualifying utilities are eligible for an exemption from the tax imposed in RCW 82.08.020. The exemption in this section is in the form of a refund of seventy-five percent of the state retail sales tax paid by the qualifying utility on:

(a) Machinery and equipment used directly in generating electricity using water as the principal source of power; and

(b) Labor and services rendered in respect to installing machinery and equipment described in (a) of this subsection.

(2) Machinery and equipment is "used directly" in generating electricity using water as the principal source of power, if the machinery and equipment provides any part of the process that captures the energy of water, and stores, transforms, or transmits that electricity for entry into or operation in parallel with electric transmission and distribution systems.

(3) The exemption under subsection (1) of this section applies only with respect to machinery and equipment and installation labor and services, received by the qualifying utility on or after July 1, 2019, and before January 1, 2030. For purposes of this subsection, "received" has the same meaning as "receive" and "receipt" in RCW 82.32.730.

(4)(a) A qualifying utility claiming an exemption in the form of a refund under subsection (1) of this section must first pay the tax imposed by RCW 82.08.020 and all applicable local sales taxes imposed under the authority of chapters 82.14 and 81.104 RCW on purchases qualifying for the exemption.

(b) The qualifying utility may then apply to the department for a refund in a form and manner prescribed by the department. A qualifying utility may not apply for a refund under this section more frequently than once per calendar quarter. The qualifying utility must specify the amount of exempted tax claimed and the qualifying purchases for which the exemption is claimed. The qualifying utility must retain, in adequate detail, records to enable the department to determine whether the qualifying utility is entitled to an exemption under this section, including: Invoices; proof of tax paid; and documents describing the machinery and equipment.

(c) The department must determine eligibility under this section based on the information provided by the qualifying utility, which is subject to audit verification by the department. The department must on a quarterly basis refund exempted amounts to qualifying utilities that submitted complete applications during the previous calendar quarter.

(5) The definitions in this subsection apply throughout this section unless the context clearly requires otherwise.

(a) "Increase electricity output" means improvements in efficiency, increases in capacity, or the extension of the useful life of the facility.

(b)(i) "Machinery and equipment" means fixtures, devices, and support facilities that are integral and necessary to the generation of electricity using water, and that increase electricity output, including component parts of such fixtures, devices, and support facilities. "Machinery and equipment" includes but is not limited to turbines, generators, pipes, control gates, pumps, transformers, and power lines.

(ii) "Machinery and equipment" does not include: (A) Hand-powered tools; (B) property with a useful life of less than one year; (C) buildings and other structures, such as dams, power houses, and fish ladders, and transmission towers; and (D) building fixtures that are not integral and necessary to the generation of electricity that are permanently affixed to and become a physical part of a building.

(c) "Qualifying utility" means a light and power business, as defined in RCW 82.16.010, that owns and operates a hydroelectric power generation plant.

(6) This section expires January 1, 2030.

NEW SECTION. **Sec.**  A new section is added to chapter 82.12 RCW to read as follows:

(1) Qualifying utilities are eligible for an exemption from the tax imposed in RCW 82.12.020 in the form of a refund of seventy-five percent of the state use tax paid by the qualifying utility on:

(a) Machinery and equipment used directly in generating electricity using water as the principal source of power; and

(b) Labor and services rendered in respect to the installing of machinery and equipment described in (a) of this subsection.

(2) Machinery and equipment is "used directly" in generating electricity using water as the principal source of power, if the machinery and equipment provides any part of the process that captures the energy of water, and stores, transforms, or transmits that electricity for entry into or operation in parallel with electric transmission and distribution systems.

(3) The exemption under subsection (1) of this section applies only with respect to machinery and equipment and installation labor and services, first used within this state by the qualifying utility on or after July 1, 2019, and before January 1, 2030.

(4)(a) A qualifying utility claiming an exemption in the form of a refund under subsection (1) of this section must first pay the tax imposed by RCW 82.12.020 and all applicable local use taxes imposed under the authority of chapters 82.14 and 81.104 RCW on machinery and equipment and labor and services qualifying for the exemption.

(b) The qualifying utility may then apply to the department for a refund in a form and manner prescribed by the department. A qualifying utility may not apply for a refund under this section more frequently than once per calendar quarter. The qualifying utility must specify the amount of exempted tax claimed and the qualifying purchases for which the exemption is claimed. The qualifying utility must retain, in adequate detail, records to enable the department to determine whether the qualifying utility is entitled to an exemption under this section, including: Invoices; proof of tax paid; and documents describing the machinery and equipment.

(c) The department must determine eligibility under this section based on the information provided by the qualifying utility, which is subject to audit verification by the department. The department must on a quarterly basis refund exempted amounts to qualifying utilities that submitted complete applications during the previous calendar quarter.

(5) Purchases exempt under section 1 of this act are also exempt from the tax imposed under RCW 82.12.020.

(6) The definitions in section 1 of this act apply to this section.

(7) This section expires January 1, 2030.

**Sec.**  RCW 82.14.820 and 2017 c 176 s 4 are each amended to read as follows:

The exemptions in RCW 82.08.820, 82.12.820, 82.08.0207, sections 1 and 2 of this act, and 82.12.0207 are for the state portion of the sales and use tax and do not extend to the ((~~tax imposed~~)) local sales and use taxes authorized in this chapter or RCW 81.104.170.

NEW SECTION. **Sec.**  The provisions of RCW 82.32.808 do not apply to this act.

NEW SECTION. **Sec.**  This act takes effect August 1, 2019."

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By Senator Hawkins

**NOT CONSIDERED 12/23/2019**

On page 1, line 2 of the title, after "incentives;" strike the remainder of the title and insert "amending RCW 82.14.820; adding a new section to chapter 82.08 RCW; adding a new section to chapter 82.12 RCW; creating a new section; providing an effective date; and providing expiration dates."

EFFECT: Establishes a 75 percent state sales and use tax exemption for qualifying utilities on machinery and equipment used directly in generating electricity using water and on labor and services rendered in respect to installing such machinery and equipment. Provides that the machinery and equipment must increase electricity output as defined herein.