

SENATE BILL REPORT

HB 2290

As Reported By Senate Committee On:
Energy, Telecommunications & Utilities, February 20, 1996
Ways & Means, March 7, 1996

Title: An act relating to exempting construction of wind energy and solar electric generating facilities from sales and use tax.

Brief Description: Exempting construction of wind energy and solar electric generating facilities from sales and use tax.

Sponsors: Representatives Honeyford, Patterson, Lisk, Clements, Hankins, B. Thomas, Mulliken, McMahan, Thompson, Hargrove and Boldt.

Brief History:

Committee Activity: Energy, Telecommunications & Utilities: 2/20/96 [DPA-WM].
Ways & Means: 3/7/96 [DPA(ETU)].

SENATE COMMITTEE ON ENERGY, TELECOMMUNICATIONS & UTILITIES

Majority Report: Do pass as amended and be referred to Committee on Ways & Means.
Signed by Senators Sutherland, Chair; Loveland, Vice Chair; Finkbeiner, Hochstatter and Owen.

Staff: Phil Moeller (786-7445)

SENATE COMMITTEE ON WAYS & MEANS

Majority Report: Do pass as amended by Committee on Energy, Telecommunications & Utilities.

Signed by Senators Rinehart, Chair; Loveland, Vice Chair; Bauer, Cantu, Drew, Finkbeiner, Fraser, Hargrove, Hochstatter, Johnson, Kohl, Long, McDonald, Moyer, Pelz, Quigley, Roach, Sheldon, Snyder, Spanel, Strannigan, Sutherland, West, Winsley and Wojahn.

Staff: David Schumacher (786-7474)

Background: The state retail sales tax is imposed on retail sales of most items of tangible personal property and some services. Taxable services include construction, repair, telephone, some personal services, and recreation and amusement services. The tax rate is 6.5 percent and is applied to the selling price of the article or service. In addition, local sales taxes apply. The total rate falls between 7 percent and 8.2 percent depending on the location.

The use tax is imposed on the use of articles of tangible personal property when the sale or acquisition of the property has not been subject to sales tax. Use tax is equal to the sales tax rate multiplied by the value of the property used. The use tax commonly applies to property acquired from out-of-state.

Generally, businesses pay sales and use tax on machinery, equipment, and construction of industrial facilities. However, sales and use tax exemptions are available for certain business investments.

The distressed area sales and use tax exemption is targeted at areas with unemployment rates 20 percent higher than the state average. Manufacturing, research and development, and computer-related businesses are given a sales and use tax exemption on buildings, machinery and equipment, and installation labor. Light and power businesses are specifically excluded from this program. Cogeneration projects that are an integral part of a manufacturing facility are exempt on the portion of the cogeneration project that generates power for consumption within the manufacturing site.

The high technology sales and use tax exemption is available statewide to research and development and pilot-scale manufacturing businesses. The business must be involved in biotechnology, advanced computing, electronic device technology, advanced materials, or environmental technology. The sales and use tax on new or expanded facilities and machinery and equipment is exempt. The generation of electricity is not included.

The manufacturing sales and use tax exemption is available statewide for new and replacement machinery and equipment used directly in a manufacturing operation, including installation labor and services. "Manufacturing operation" does not include research and development activities, the production of electricity, or the preparation of food products on the premises of a person selling food at retail. However, an exemption is available for that portion of a cogeneration project that is used to generate power for on-site consumption at the manufacturing operation.

Summary of Amended Bill: Machinery and equipment used directly in generating electricity using wind or sun energy is exempt from sales and use tax. The costs of installing the machinery and equipment are also exempt. Only facilities capable of generating 200 kilowatts of electricity are eligible for the exemption.

The definition of "machinery and equipment" includes industrial fixtures, devices, and support facilities necessary to generate electricity from wind or sun energy and excludes hand tools, property with a useful life of less than a year, repair parts, replacement parts, buildings, and building fixtures not used to generate electricity.

The exemption ends June 30, 2005.

Amended Bill Compared to Original Bill: The definitions are clarified to include some specific items and exclude others.

Appropriation: None.

Fiscal Note: Available.

Effective Date: The bill takes effect on July 1, 1996.

Testimony For: This legislation will help in providing additional energy from a clean and renewable source. It will allow for additional employment from construction and ongoing operation of the facilities, and it will help diversify the region's energy resources. It is limited in duration. Although concerns have been raised over birds that will be killed by these projects and native cultural sites that could be disturbed, these projects will allow for the study of these concerns and provide real answers to the questions that have been raised.

Testimony Against: Concerns have been raised over windmills killing birds. In some areas there is concern over native cultural sites potentially being disturbed by developing these projects. However, the concept of the bill is not being opposed by those raising these concerns.

Testified: Representative Honeyford, prime sponsor; Miland Walling, farmer (pro); Barrett Stumbler, Kenetech Windpower (pro); Ron Newbry, Pacific Corp. (pro); Scott Merriman, WEC (pro); Michael McSorley, WSEO (pro); Ben Wolff, CARES (pro); Dawn Vyvyan, Yakima Nation (concerns).