

# SENATE BILL REPORT

## SB 5542

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As Reported By Senate Committee On:  
Environment, Energy & Water, February 9, 2001

**Title:** An act relating to providing sales and use tax exemptions for air pollution control facilities acquired or installed by a light and power business at thermal electric peaking plants.

**Brief Description:** Providing sales and use tax exemptions for air pollution control facilities acquired or installed by a light and power business at thermal electric peaking plants.

**Sponsors:** Senators Fraser, Eide, Patterson, Regala, Kline, Gardner, Winsley and Kohl-Welles; by request of Governor Locke.

**Brief History:**

**Committee Activity:** Environment, Energy & Water: 2/1/01, 2/9/01 [DPS-WM].

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### SENATE COMMITTEE ON ENVIRONMENT, ENERGY & WATER

**Majority Report:** That Substitute Senate Bill No. 5542 be substituted therefor, and the substitute bill do pass and be referred to Committee on Ways & Means.

Signed by Senators Fraser, Chair; Regala, Vice Chair; Eide, Hale, Honeyford, Jacobsen, Morton and Patterson.

**Staff:** Richard Rodger (786-7461)

**Background:** The sales tax is paid on each retail sale of most articles of tangible property and certain services. The use tax is imposed on the use of articles of tangible personal property when the sale or acquisition has not been subject to the sales tax. Major items exempt from tax include food for human consumption, prescription drugs, motor vehicle fuel, utility services, professional services, certain business services, and items that become a component part of another product for sale.

Certain industrial, manufacturing, waste disposal, utility and commercial facilities have been granted sales and use tax exemptions for purchases associated with the installation of air and water pollution control equipment. It is suggested that the tax exemptions should be extended to certain electric plants that are limited in their operations, due to air pollution emission limits.

**Summary of Substitute Bill:** The Department of Revenue will, upon request of a light and power business, make a determination as to whether a plant is a thermal electric peaking plant acquiring or installing air pollution control equipment. The department will consult with the Department of Community, Trade, and Economic Development and the Department of Ecology in making the determination. If the business qualifies, the department issues it a sales and use tax exemption certificate. The exemption does not apply to servicing,

maintenance, operation, or repairs of a thermal electric peaking plant or of an air pollution control facility.

A "thermal electric peaking plant" is defined as a natural gas-fired thermal electric generating facility, operated by a light and power business, placed into service between January 1, 1978, and December 31, 1984, and that is registered as a source of air contamination.

**Substitute Bill Compared to Original Bill:** An expiration date is added. The exemption expires on June 30, 2011.

**Appropriation:** None.

**Fiscal Note:** Available.

**Effective Date:** Ninety days after adjournment of session in which bill is passed.

**Testimony For:** This bill will assist the state in obtaining more immediate energy generation capacity. Currently there are seven plants in the state that are limited in their operations due to air emission limits placed on them. This bill will provide tax breaks to those facilities who want to install air pollution control equipment that reduces the amount of pollution emitted. The installation of the new equipment will allow these plants to operate up to 2,500 hours per year, compared to the current level of operation of 500 hours per year. The tax exemption will cost the state an estimated \$300,000 per facility, but will also generate new tax revenue by generating additional energy that is subject to the utility tax.

**Testimony Against:** This bill addresses an extraordinary situation and is a better option than the expanded use of diesel-powered electric generation. The tax exemptions should be tied to an emission standard.

**Testified:** Collins Sprague, AVISTA Corp. (pro); Danielle Dixon, NW Energy Coalition (neutral/concerns); Terry Oxley, Puget Sound Energy (pro); Kristin Sawin, Washington Association of Business (pro) Jim Harding, City of Seattle (pro).