
**Technology, Energy &
Communications Committee**

HB 1760

Brief Description: Providing tax incentives for solar energy systems.

Sponsors: Representatives Chase, Morris, Nixon, Upthegrove, Rodne, Springer, Moeller, P. Sullivan, Hudgins, B. Sullivan, Sells, Appleton, Flannigan, Green, Darneille, Blake, Hunt, McCoy, Kagi, Pettigrew, Simpson, Williams, Morrell, Eickmeyer, O'Brien, Linville, Walsh, Buri, Miloscia, Grant, Clibborn, Conway, Kenney, Dunshee, Ormsby, Haler, Campbell and Kilmer.

Brief Summary of Bill

- Provides tax incentives for solar module manufacturers.

Hearing Date: 2/17/05

Staff: Sarah Dylag (786-7109).

Background:

Most manufacturing businesses in the state pay the general manufacturing business and occupation (B&O) tax of 0.484 percent times the value of their product. Special B&O tax classifications and rates have been enacted by the Legislature to address specialized situations, such as the semiconductor manufacturer classification, enacted in 2003, to create incentives for the semiconductor industry.

Many manufacturing businesses are eligible for a sales and use tax exemption that exempts all machinery and equipment used in manufacturing, and installation labor, from the sales and use tax.

Current law also provides additional tax incentives for certain businesses that locate in rural counties with fewer than 100 people per square mile, including the following that apply to manufacturing businesses:

- a sales and use tax exemption on buildings and equipment used in manufacturing;
- a 20 percent B&O tax credit for job training up to \$5,000 per year; and
- a B&O tax credit for new manufacturing, research and development, or computer service jobs.

Summary of Bill:

The B&O tax rate for businesses manufacturing solar modules is set at a rate equal to the value of the product multiplied by 0.275 percent. Additionally, if the manufacturer locates in a county with an unemployment rate of greater than 8.5 percent on the effective date of this act, the business is exempt from the new lower B&O tax rate. These two provisions expire on June 20, 2014.

The following additional tax incentives are provided for solar module manufacturers that locate in counties with greater than 8.5 percent unemployment, and maintain at least 75 percent full employment at a new building for eight years:

- a sales tax exemption for labor, services, and sales of tangible personal property related to the construction of new buildings used for manufacturing solar modules;
- a B&O tax job credit of \$3,000 for each full-time manufacturing production position that takes place in a new building exempt from sales and use tax under this act
- a property tax exemption on the machinery and equipment used in manufacturing solar modules located at a building exempt from sales and use tax under this bill.

No application for any of the tax incentives is necessary, except for the property tax exemption which must be filed with the appropriate county assessor. Businesses claiming exemptions or credits under this program must file annual reports with the Department of Revenue detailing employment, wages, and health and retirement benefits.

Reports must be made by the Joint Legislative Audit and Review Committee to the Legislature in November of 2010 and 2013, on the effectiveness of this measure in accomplishing its goals of keeping the state competitive.

Appropriation: None.

Fiscal Note: Preliminary fiscal note available.

Effective Date: The bill contains an emergency clause and takes effect on July 1, 2005.