

# FINAL BILL REPORT

## 2SHB 2799

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Synopsis as Enacted

**Brief Description:** Providing tax exemptions for solar water heating equipment.

**Sponsors:** By House Committee on Finance (originally sponsored by Representatives Chase, Morris, Crouse, Eickmeyer, Clibborn, P. Sullivan, Hunt, McCoy, Miloscia, Grant, Sells, Williams, McCune, Moeller, Conway, Upthegrove, Morrell, Simpson, Kilmer, Kagi, Hudgins, Dunn and Darneille).

**House Committee on Technology, Energy & Communications**

**House Committee on Finance**

**Senate Committee on Water, Energy & Environment**

### **Background:**

Solar hot water heaters use the sun to heat either water or a heat-transfer fluid in collectors. The U.S. Department of Energy estimates that a typical solar hot water system will reduce the need for conventional water heating by about two-thirds.

### Retail Sales and Use Taxes

The retail sales tax applies to the selling price of tangible personal property and of certain services purchased at retail. The use tax applies if retail sales tax has not been collected. Both the state and local governments impose sales and use taxes; the state rate is 6.5 percent and the average local rate is 2 percent statewide. Sales taxes are collected by the seller from the buyer at the time of sale. Use tax is remitted directly to the Department of Revenue. State sales tax and use tax revenues are deposited in the State General Fund.

All items or services sold or acquired at retail are subject to the retail sales and use taxes unless specifically exempt.

### Solar Rating and Certification Corporation Standards

The Solar Rating and Certification Corporation (SRCC) is a non-profit organization whose primary purpose is the development and implementation of certification programs and national rating standards for solar energy equipment. The SRCC is an independent third-party certification entity. It is the only national certification program established solely for solar energy products. States such as Arizona, California, Colorado, Hawaii, Illinois, Louisiana, Maryland, Minnesota, Montana, Nevada, Oregon, Pennsylvania, Vermont, and Wisconsin require that only SRCC rated solar hot water collectors be installed.

The SRCC operates three solar certification programs: collector certification (OG 100), water heating system certification (OG 300), and a certification program for solar swimming pool heating systems (OG 400). The collector certification program (OG 100) applies to that part of a solar energy system which is exposed to the sun and collects the sun's heat. The solar water

heating system certification program (OG 300) deals with the entire solar system (collectors, controls, storage tanks, heat exchangers, pumps, etc.) used to heat domestic hot water using the sun.

**Summary:**

Retail Sales and Use Tax Exemption

The OG-300 rated solar water heating systems, the OG-100 rated solar water heating collectors, solar heat exchangers, and differential solar controllers are exempt from state and local retail and use taxes. Also exempt from sales and use taxes are repair and replacement parts for such equipment and sales of or charges made for labor and services rendered in respect to installing, repairing, cleaning, altering, or improving such equipment.

Retention of Records

A person taking the sales tax exemption must keep records necessary to verify eligibility. The sales tax exemption is available only when the buyer provides the seller with an exemption certificate in a form and manner prescribed by the Department of Revenue.

Definitions

An "OG-300 rated solar water heating system" means those fully integrated solar water heating systems that have been rated as having met the operational guidelines currently set and listed by the Solar Rating and Certification Corporation.

An "OG-100 rated solar water heating collector" means those collectors that convert light energy to heat and that have been rated as having met the operational guidelines currently set and listed by the Solar Rating and Certification Corporation.

"Solar heat exchanger" means a device that is used to transfer heat from one fluid to another through a separating wall.

"Differential solar controller" means a controlling device that reads and adjusts the temperature at the solar water heating collector and the heated water collection tank.

Effective and Expiration Dates

The retail sales and use tax exemption takes effect July 1, 2006, and expires on July 1, 2009.

**Votes on Final Passage:**

House	95	1
Senate	47	0

**Effective:** July 1, 2006