
SUBSTITUTE HOUSE BILL 2715

State of Washington

64th Legislature

2016 Regular Session

By House Technology & Economic Development (originally sponsored by Representatives Blake, Orcutt, and Muri)

READ FIRST TIME 02/05/16.

1 AN ACT Relating to providing sales and use tax exemptions, in the
2 form of a remittance of tax paid, to encourage coal-fired electric
3 generation plants to convert to natural gas-fired plants or biomass
4 energy facilities; adding a new section to chapter 82.08 RCW; adding
5 a new section to chapter 82.12 RCW; creating a new section; and
6 providing expiration dates.

7 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

8 NEW SECTION. **Sec. 1.** This section is the tax preference
9 performance statement for the tax preference contained in sections 2
10 and 3 of this act. This performance statement is only intended to be
11 used for subsequent evaluation of the tax preference. It is not
12 intended to create a private right of action by any party or be used
13 to determine eligibility for preferential tax treatment.

14 (1) The legislature categorizes this tax preference as one
15 intended to create or retain jobs, as indicated in RCW
16 82.32.808(2)(c).

17 (2) It is the legislature's specific public policy objective to
18 retain jobs at existing coal-fired electric generation facilities by
19 providing a tax exemption to allow these facilities to convert into
20 natural gas-fired generation plants or biomass energy facilities
21 rather than shut down entirely. It is the legislature's intent to

1 provide a tax exemption for the conversion of a coal-fired electric
2 generation facility into a natural gas-fired generation plant or
3 biomass energy facility, in order to reduce the costs recently
4 imposed by the legislature on companies that operate coal-fired
5 electric generation facilities, thereby increasing the ability of
6 these companies to continue their operations in Washington state,
7 thereby retaining jobs that otherwise would be lost if a coal-fired
8 electric generation facility were to shut down.

9 (3) This tax preference is created to provide an opportunity for
10 coal-fired electric generation facilities to convert into natural
11 gas-fired generation plants or biomass energy facilities. This tax
12 preference is meant to expire and, therefore, the joint legislative
13 audit and review committee is exempt from reviewing this tax
14 preference as required in chapter 43.136 RCW.

15 NEW SECTION. **Sec. 2.** A new section is added to chapter 82.08
16 RCW to read as follows:

17 (1) Subject to the requirements in subsection (2) of this
18 section, a taxpayer is eligible for an exemption from the tax imposed
19 by RCW 82.08.020 on the sale of or charge made for:

20 (a) Labor and services rendered in respect to the constructing of
21 new structures, and expansion or renovation of existing structures,
22 for the purpose of converting a coal-fired electric generation
23 facility into a natural gas-fired plant or biomass energy facility;

24 (b) Materials that will be incorporated as an ingredient or
25 component of new or existing structures during the course of such
26 constructing, expanding, or renovating; or

27 (c) Machinery and equipment that is required to convert a coal-
28 fired electric generation facility into a natural gas-fired plant or
29 biomass energy facility, including labor and services rendered in
30 respect to installing such machinery and equipment.

31 (2)(a) The exemption in this section is in the form of a
32 remittance. A purchaser claiming an exemption from the tax in the
33 form of a remittance under this section must pay all applicable state
34 sales taxes on all purchases qualifying for the exemption. After the
35 conversion of a coal-fired electric generation facility into a
36 natural gas-fired plant or biomass energy facility is operationally
37 complete, but not earlier than April 1, 2019, the purchaser may then
38 apply to the department for a remittance of one hundred percent of
39 the state sales taxes paid under RCW 82.08.020 for purchases

1 qualifying under subsection (1) of this section. The purchaser must
2 specify the amount of exempted tax claimed and the qualifying
3 purchases for which the exemption is claimed. The purchaser must
4 retain, in adequate detail, records to enable the department to
5 determine whether the purchaser is entitled to an exemption under
6 this section, including: Invoices; proof of tax paid; and
7 construction contracts.

8 (b) The department may not accept any application for a
9 remittance that it does not receive by the later of July 1, 2019, or
10 within one year after the department determines that the conversion
11 of a coal-fired electric generation facility into a natural gas-fired
12 plant or biomass energy facility is operationally complete.

13 (c) The department must determine eligibility under this section
14 based on information provided by the purchaser, which is subject to
15 audit verification by the department. The department must remit
16 exempted amounts to qualifying purchasers who submitted timely
17 applications during the previous calendar quarter. No remittances may
18 be paid before July 1, 2019.

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

21 (a) "Biomass energy" means energy derived from solid organic
22 fuels from wood or forest or field residues.

23 (b)(i) "Machinery and equipment" means industrial fixtures,
24 devices, and support facilities that are integral and necessary to
25 the generation of electricity using natural gas or biomass, including
26 repair parts and replacement parts.

27 (ii) "Machinery and equipment" does not include: (A) Hand-powered
28 tools; (B) property with a useful life of less than one year; (C)
29 repair parts required to restore machinery and equipment to normal
30 working order; (D) replacement parts that do not increase
31 productivity, improve efficiency, or extend the useful life of
32 machinery and equipment; (E) buildings; or (F) building fixtures that
33 are not integral and necessary to the generation of electricity that
34 are permanently affixed to and become a physical part of a building.

35 (c) "Operationally complete" means constructed or improved to the
36 point of being functionally capable of generating electricity using
37 natural gas or biomass.

38 (4) This section expires July 1, 2025.

1 NEW SECTION. **Sec. 3.** A new section is added to chapter 82.12
2 RCW to read as follows:

3 (1) Subject to the requirements in subsection (2) of this
4 section, a taxpayer is eligible for an exemption from the tax imposed
5 by RCW 82.12.020 on the use of:

6 (a) Materials that will be incorporated as an ingredient or
7 component of new or existing structures during the course of the
8 constructing of new structures, or expansion or renovation of
9 existing structures, for the purpose of converting a coal-fired
10 electric generation facility into a natural gas-fired plant or
11 biomass energy facility; and

12 (b) Machinery and equipment that is required to convert a coal-
13 fired electric generation facility into a natural gas-fired plant or
14 biomass energy facility, including labor and services rendered in
15 respect to installing such machinery and equipment.

16 (2)(a) A taxpayer is exempt from the tax imposed by RCW 82.12.020
17 on the use of materials, machinery and equipment, or installation
18 labor, if the taxpayer received a remittance under section 2 of this
19 act with respect to the purchase of the materials, machinery and
20 equipment, or installation labor.

21 (b) With respect to materials, machinery and equipment, or
22 installation labor qualifying for the exemption in this section and
23 acquired by the taxpayer without the payment of the sales tax imposed
24 by RCW 82.08.020, the exemption in this section is in the form of a
25 remittance of the state use taxes paid under RCW 82.12.020. All of
26 the provisions applicable to remittances under section 2 of this act
27 apply to remittances under this section.

28 (3) The exemption in this section does not apply to the use of
29 materials, machinery and equipment, and installation labor for
30 machinery and equipment, when first use within this state of such
31 materials, machinery and equipment, and installation labor occurred
32 after June 30, 2025.

33 (4) The definitions in section 2 of this act apply to this
34 section.

35 (5) This section expires July 1, 2025.

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