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SENATE BILL 5575

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State of Washington

64th Legislature

2015 Regular Session

By Senators Braun, Honeyford, and Hatfield

Read first time 01/26/15. Referred to Committee on Energy,  
Environment & Telecommunications.

1 AN ACT Relating to providing sales and use tax exemptions to  
2 encourage coal-fired electric generation plants to convert to natural  
3 gas-fired plants; adding a new section to chapter 82.08 RCW; adding a  
4 new section to chapter 82.12 RCW; creating a new section; and  
5 providing expiration dates.

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

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

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

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

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

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

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

15 (1) The tax levied by RCW 82.08.020 does not apply to the sale of  
16 or charge made for:

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

21 (b) Materials that will be incorporated as an ingredient or  
22 component of new or existing structures during the course of such  
23 constructing, expanding, or renovating; and

24 (c) Machinery and equipment that is required to convert a coal-  
25 fired electric generation facility into a natural gas-fired plant,  
26 including labor and services rendered in respect to installing such  
27 machinery and equipment.

28 (2) Sellers making tax-exempt sales under this section must  
29 obtain from the purchaser an exemption certificate in a form and  
30 manner prescribed by the department. The seller must retain a copy of  
31 the certificate for the seller's files.

32 (3)(a) For purposes of this section, "machinery and equipment"  
33 means industrial fixtures, devices, and support facilities that are  
34 integral and necessary to the generation of electricity using natural  
35 gas, including repair parts and replacement parts.

36 (b) "Machinery and equipment" does not include: (i) Hand-powered  
37 tools; (ii) property with a useful life of less than one year; (iii)  
38 repair parts required to restore machinery and equipment to normal  
39 working order; (iv) replacement parts that do not increase

1 productivity, improve efficiency, or extend the useful life of  
2 machinery and equipment; (v) buildings; or (vi) building fixtures  
3 that are not integral and necessary to the generation of electricity  
4 that are permanently affixed to and become a physical part of a  
5 building.

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

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

9 (1) The tax levied by RCW 82.12.020 does not apply to the use of:

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

15 (b) Machinery and equipment that is required to convert a coal-  
16 fired electric generation facility into a natural gas-fired plant,  
17 including labor and services rendered in respect to installing such  
18 machinery and equipment.

19 (2) The exemption in this section does not apply to the use of  
20 materials, machinery and equipment, and installation labor for  
21 machinery and equipment, when first used within this state if such  
22 materials, machinery and equipment, and installation labor occurred  
23 on or after June 30, 2025.

24 (3) The definitions in section 2 of this act apply to this  
25 section.

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

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