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## Technology & Economic Development Committee

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### HB 2580

**Brief Description:** Promoting renewable natural gas.

**Sponsors:** Representatives Morris, Lytton, Fey and Doglio; by request of Department of Commerce.

#### Brief Summary of Bill

- Requires the Washington State University Extension Energy Program (WSU Energy) and the Department of Commerce (Department) to submit recommendations to the Governor and the energy committees of the Legislature by September 1, 2018, on how to promote the sustainable development of renewable natural gas (RNG).
- Requires the Department to develop voluntary gas quality standards for RNG.
- Amends certain tax preferences.

**Hearing Date:** 1/24/18

**Staff:** Nikkole Hughes (786-7156).

#### **Background:**

##### Business and Occupation Tax Preferences.

A preferential business and occupation (B&O) tax rate for manufacturers of alcohol fuel, biodiesel fuel, or biodiesel feedstock expired on July 1, 2009. Manufacturers of wood biomass fuel are eligible for a preferential B&O tax rate equal to the value of wood biomass fuel manufactured, multiplied by the rate of 0.138 percent.

"Wood biomass fuel" is defined to mean a pyrolytic liquid fuel or synthesis gas-derived liquid fuel, used in internal combustion engines, and produced from wood, forest, or field residue, or

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dedicated energy crops that do not include wood pieces that have been treated with chemical preservatives such as creosote, pentachlorophenol, or copper-chrome-arsenic.

#### Sales and Use Tax Preferences.

A sales and use tax exemption is available for establishing or operating an anaerobic digester. The anaerobic digester must be used primarily to treat livestock manure.

Until July 30, 2011, a sales and use tax exemption was available for the sale of machinery and equipment used directly in generating electricity using alternative energy resources, including anaerobic digestion and landfill gas. Beginning on July 1, 2011, and until January 1, 2020, the sales and use tax exemption is equal to 75 percent of the state and local sales tax paid and is available in the form of a remittance.

#### Property Tax and Leasehold Excise Tax Preferences.

Until December 31, 2015, all buildings, machinery, equipment, and other personal property which are used primarily for the manufacturing of alcohol fuel, biodiesel fuel, biodiesel feedstock, or the operation of an anaerobic digester were exempt from property taxes and leasehold taxes for a period of six years following the date on which the facility or the addition to the existing facility becomes operational. Buildings and other personal property which are used primarily for the manufacturing of wood biomass fuel were exempt from leasehold taxes for a period of six years following the date on which the facility or the addition to the existing facility becomes operational.

#### **Summary of Bill:**

##### Renewable Natural Gas.

The Washington State University Extension Energy Program (WSU Energy Program) and Department of Commerce (Department) must submit recommendations to the Governor and the energy committees of the Legislature by September 1, 2018, on how to promote the sustainable development of renewable natural gas (RNG) in the state.

The Department, in consultation with the Department of Ecology and the Department of Health, must develop voluntary gas quality standards for RNG. In developing voluntary gas quality standards for RNG, the Department should consult with industry groups and identify best practices.

##### Tax Preferences.

An expired preferential business and occupation (B&O) tax rate for manufacturers of alcohol fuel, biodiesel fuel, or biodiesel feedstock is repealed. For the purposes of a preferential B&O tax rate for manufacturers of wood biomass fuel, the definition of "wood biomass fuel" is amended to mean a fuel used in internal combustion engines that is produced from lignocellulosic feedstocks, including wood, field residue, and dedicated energy crops, and does not include wood treated with chemical preservations.

Sales and use of equipment and services necessary to process biogas from a landfill into marketable coproducts, including but not limited to biogas conditioning and electrical generation equipment, are eligible for a sales and use tax exemption.

A sales and use tax exemption is available for establishing or operating an anaerobic digester, regardless of whether the anaerobic digester is used primarily to treat livestock manure.

An expired sales and use tax exemption for the sale and use of machinery and equipment used directly in generating electricity using alternative energy resources is repealed. References to anaerobic digestion and landfill gas are removed from a sales and use tax exemption for the sale of machinery and equipment used directly in generating electricity using alternative energy resources that is equal to 75 percent of the state and local sales taxes paid.

References to buildings, machinery, equipment, and other personal property used primarily for the manufacturing of alcohol fuel, biodiesel fuel, wood biomass fuel, and biodiesel feedstock are removed from an expired six-year property tax and leasehold excise tax exemption. The six-year property tax and leasehold excise tax exemption is restored for personal property used primarily for the operation of an anaerobic digester until December 31, 2024.

**Appropriation:** None.

**Fiscal Note:** Requested on January 10, 2018.

**Effective Date:** The bill takes effect 90 days after adjournment of the session in which the bill is passed.