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**ENGROSSED SUBSTITUTE HOUSE BILL 2825**

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**State of Washington 66th Legislature 2020 Regular Session**

**By** House Finance (originally sponsored by Representatives Goehner, Chapman, Steele, Dent, DeBolt, Mosbrucker, Mead, Boehnke, Tarleton, Orcutt, Dufault, McCaslin, Ybarra, Blake, Fitzgibbon, and Shea)

AN ACT Relating to promoting oil-free hydroelectric turbine technology; adding a new section to chapter 82.08 RCW; adding a new section to chapter 82.12 RCW; creating a new section; providing an effective date; and providing expiration dates.

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

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

(1) A taxpayer is eligible for an exemption, in the form of a remittance, from the tax levied by RCW 82.08.020 on:

(a) The sale of oil-free adjustable blade hubs for hydroelectric turbines;

(b) The sale of or charge made for labor and services rendered in respect to constructing, installing, repairing, altering, cleaning, or improving oil-free adjustable blade hubs for hydroelectric turbines; and

(c) The sale of tangible personal property that will become a component of oil-free adjustable blade hubs for hydroelectric turbines during the course of constructing, installing, repairing, altering, cleaning, or improving oil-free adjustable blade hubs for hydroelectric turbines.

(2)(a) Any taxpayer claiming exemption from retail sales tax under the provisions of this section must pay the state and local sales tax to the seller at the time of purchase and then request a remittance from the department in accordance with this subsection. The request for remittance must include any information and documentation as required by the department, which may include the sales price of any goods or services purchased, the amount of sales tax paid on the item, the date of the purchase, the name of the seller and the physical address where the sale took place, and copies of sales receipts showing the qualified purchases.

(b) Requests for remittance must be made on an annual basis. A taxpayer may not submit more than one request for remittance for a given calendar year, except to amend a request.

(c) As part of the application for a remittance under this section, in cases where the labor and services as described in subsection (1)(b) of this section are provided under contract, the taxpayer must attest:

(i)(A) That the contractors on the project, for which the labor and services described in subsection (1)(b) of this section are rendered, have a history of complying with federal and state wage and hour laws and regulations; or

(B) That the project, for which the labor and services described in subsection (1)(b) of this section are rendered, is developed under a community workforce agreement or project labor agreement; or

(ii) That, if the contract for labor and services described under subsection (1)(b) of this section was executed prior to July 1, 2020, and the remaining labor and services will be rendered on or after July 1, 2020, either of the conditions in (c)(i) of this subsection (2) is met and wages consistent with chapter 39.12 RCW are paid on the project.

(d) If the department determines that any of the facts attested to as required under (c) of this subsection are not true, the department must deny the application for remittance. However, nothing in this section requires the department to endeavor to determine the veracity of the facts attested to as required under (c) of this subsection. Upon the department's request, state agencies must provide assistance to the department in reviewing the information submitted by a generating utility as required by (c) of this subsection.

(e) Any taxpayer claiming exemption from retail sales tax under the provisions of this section must also report to the department the amount of energy expected to be generated by the hydroelectric turbines associated with the exemption in the twelve months following the date of the request. The department must make this information available to the joint legislative audit and review committee.

(3) The exemption provided by this section is only for the state portion of the sales tax. For purposes of this section, the state portion of the sales tax is not reduced by any local sales tax that is deducted or credited against the state sales tax as provided by law.

(4) The definitions in this subsection apply throughout this section and section 2 of this act unless the context clearly requires otherwise:

(a) "Electric utility" has the same meaning as defined in RCW 19.29A.010.

(b) "Hydroelectric turbine" means a mechanical wheel that is moved by water and connected to a generator to produce electricity in a hydroelectric project owned by an electric utility.

(c) "Oil-free adjustable blade hub for hydroelectric turbines" means a type of horizontal or vertical hydroelectric turbine with adjustable blades that does not use oil on the runner hub to lubricate the internal components.

(5) This section expires July 1, 2030.

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

(1) A taxpayer is eligible for an exemption, in the form of a remittance, from the tax levied by RCW 82.12.020 on:

(a) Oil-free adjustable blade hubs for hydroelectric turbines;

(b) Labor and services rendered in respect to constructing, installing, repairing, altering, cleaning, or improving oil-free adjustable blade hubs for hydroelectric turbines; and

(c) Tangible personal property that will become a component of oil-free adjustable blade hubs for hydroelectric turbines during the course of constructing, installing, repairing, altering, cleaning, or improving oil-free adjustable blade hubs for hydroelectric turbines.

(2) All of the eligibility requirements, conditions, limitations, and definitions in section 1 of this act apply to this section.

(3) This section expires July 1, 2030.

NEW SECTION. **Sec.**  (1) This section is the tax preference performance statement for the tax preference contained in sections 1 and 2, chapter . . ., Laws of 2020 (sections 1 and 2 of this act). This performance statement is only intended to be used for subsequent evaluation of the tax preference. It is not intended to create a private right of action by any party or to be used to determine eligibility for preferential tax treatment.

(2) The legislature categorizes this tax preference as one intended to improve industry competitiveness as indicated in RCW 82.32.808(2)(b).

(3) It is the legislature's specific public policy objective to promote the use of oil-free hydroelectric turbine technology.

(4) If a review finds that there is an increase in the number of taxpayers claiming the exemption provided in this act and in the amount of energy generated by the hydroelectric turbines associated with this exemption, then the legislature intends to extend the expiration date of this tax preference.

(5) In order to obtain the data necessary to perform the review in subsection (4) of this section, the joint legislative audit and review committee may refer to any data collected by the state.

NEW SECTION. **Sec.**  This act takes effect July 1, 2020.

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