

SSB 6012 - S AMD 889
By Senator Hawkins

NOT CONSIDERED 12/23/2019

1 Strike everything after the enacting clause and insert the
2 following:

3 "NEW SECTION. **Sec. 1.** A new section is added to chapter 82.08
4 RCW to read as follows:

5 (1) Qualifying utilities are eligible for an exemption from the
6 tax imposed in RCW 82.08.020. The exemption in this section is in the
7 form of a refund of seventy-five percent of the state retail sales
8 tax paid by the qualifying utility on:

9 (a) Machinery and equipment used directly in generating
10 electricity using water as the principal source of power; and

11 (b) Labor and services rendered in respect to installing
12 machinery and equipment described in (a) of this subsection.

13 (2) Machinery and equipment is "used directly" in generating
14 electricity using water as the principal source of power, if the
15 machinery and equipment provides any part of the process that
16 captures the energy of water, and stores, transforms, or transmits
17 that electricity for entry into or operation in parallel with
18 electric transmission and distribution systems.

19 (3) The exemption under subsection (1) of this section applies
20 only with respect to machinery and equipment and installation labor
21 and services, received by the qualifying utility on or after July 1,
22 2019, and before January 1, 2030. For purposes of this subsection,
23 "received" has the same meaning as "receive" and "receipt" in RCW
24 82.32.730.

25 (4) (a) A qualifying utility claiming an exemption in the form of
26 a refund under subsection (1) of this section must first pay the tax
27 imposed by RCW 82.08.020 and all applicable local sales taxes imposed
28 under the authority of chapters 82.14 and 81.104 RCW on purchases
29 qualifying for the exemption.

30 (b) The qualifying utility may then apply to the department for a
31 refund in a form and manner prescribed by the department. A
32 qualifying utility may not apply for a refund under this section more

1 frequently than once per calendar quarter. The qualifying utility
2 must specify the amount of exempted tax claimed and the qualifying
3 purchases for which the exemption is claimed. The qualifying utility
4 must retain, in adequate detail, records to enable the department to
5 determine whether the qualifying utility is entitled to an exemption
6 under this section, including: Invoices; proof of tax paid; and
7 documents describing the machinery and equipment.

8 (c) The department must determine eligibility under this section
9 based on the information provided by the qualifying utility, which is
10 subject to audit verification by the department. The department must
11 on a quarterly basis refund exempted amounts to qualifying utilities
12 that submitted complete applications during the previous calendar
13 quarter.

14 (5) The definitions in this subsection apply throughout this
15 section unless the context clearly requires otherwise.

16 (a) "Increase electricity output" means improvements in
17 efficiency, increases in capacity, or the extension of the useful
18 life of the facility.

19 (b)(i) "Machinery and equipment" means fixtures, devices, and
20 support facilities that are integral and necessary to the generation
21 of electricity using water, and that increase electricity output,
22 including component parts of such fixtures, devices, and support
23 facilities. "Machinery and equipment" includes but is not limited to
24 turbines, generators, pipes, control gates, pumps, transformers, and
25 power lines.

26 (ii) "Machinery and equipment" does not include: (A) Hand-powered
27 tools; (B) property with a useful life of less than one year; (C)
28 buildings and other structures, such as dams, power houses, and fish
29 ladders, and transmission towers; and (D) building fixtures that are
30 not integral and necessary to the generation of electricity that are
31 permanently affixed to and become a physical part of a building.

32 (c) "Qualifying utility" means a light and power business, as
33 defined in RCW 82.16.010, that owns and operates a hydroelectric
34 power generation plant.

35 (6) This section expires January 1, 2030.

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

1 (1) Qualifying utilities are eligible for an exemption from the
2 tax imposed in RCW 82.12.020 in the form of a refund of seventy-five
3 percent of the state use tax paid by the qualifying utility on:

4 (a) Machinery and equipment used directly in generating
5 electricity using water as the principal source of power; and

6 (b) Labor and services rendered in respect to the installing of
7 machinery and equipment described in (a) of this subsection.

8 (2) Machinery and equipment is "used directly" in generating
9 electricity using water as the principal source of power, if the
10 machinery and equipment provides any part of the process that
11 captures the energy of water, and stores, transforms, or transmits
12 that electricity for entry into or operation in parallel with
13 electric transmission and distribution systems.

14 (3) The exemption under subsection (1) of this section applies
15 only with respect to machinery and equipment and installation labor
16 and services, first used within this state by the qualifying utility
17 on or after July 1, 2019, and before January 1, 2030.

18 (4) (a) A qualifying utility claiming an exemption in the form of
19 a refund under subsection (1) of this section must first pay the tax
20 imposed by RCW 82.12.020 and all applicable local use taxes imposed
21 under the authority of chapters 82.14 and 81.104 RCW on machinery and
22 equipment and labor and services qualifying for the exemption.

23 (b) The qualifying utility may then apply to the department for a
24 refund in a form and manner prescribed by the department. A
25 qualifying utility may not apply for a refund under this section more
26 frequently than once per calendar quarter. The qualifying utility
27 must specify the amount of exempted tax claimed and the qualifying
28 purchases for which the exemption is claimed. The qualifying utility
29 must retain, in adequate detail, records to enable the department to
30 determine whether the qualifying utility is entitled to an exemption
31 under this section, including: Invoices; proof of tax paid; and
32 documents describing the machinery and equipment.

33 (c) The department must determine eligibility under this section
34 based on the information provided by the qualifying utility, which is
35 subject to audit verification by the department. The department must
36 on a quarterly basis refund exempted amounts to qualifying utilities
37 that submitted complete applications during the previous calendar
38 quarter.

39 (5) Purchases exempt under section 1 of this act are also exempt
40 from the tax imposed under RCW 82.12.020.

1 (6) The definitions in section 1 of this act apply to this
2 section.

3 (7) This section expires January 1, 2030.

4 **Sec. 3.** RCW 82.14.820 and 2017 c 176 s 4 are each amended to
5 read as follows:

6 The exemptions in RCW 82.08.820, 82.12.820, 82.08.0207, sections
7 1 and 2 of this act, and 82.12.0207 are for the state portion of the
8 sales and use tax and do not extend to the ((~~tax imposed~~)) local
9 sales and use taxes authorized in this chapter or RCW 81.104.170.

10 NEW SECTION. **Sec. 4.** The provisions of RCW 82.32.808 do not
11 apply to this act.

12 NEW SECTION. **Sec. 5.** This act takes effect August 1, 2019."

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13 On page 1, line 2 of the title, after "incentives;" strike the
14 remainder of the title and insert "amending RCW 82.14.820; adding a
15 new section to chapter 82.08 RCW; adding a new section to chapter
16 82.12 RCW; creating a new section; providing an effective date; and
17 providing expiration dates."

EFFECT: Establishes a 75 percent state sales and use tax
exemption for qualifying utilities on machinery and equipment used
directly in generating electricity using water and on labor and
services rendered in respect to installing such machinery and
equipment. Provides that the machinery and equipment must increase
electricity output as defined herein.

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