

HOUSE BILL REPORT

HB 2825

As Reported by House Committee On:
Finance

Title: An act relating to promoting oil-free hydroelectric turbine technology.

Brief Description: Promoting oil-free hydroelectric turbine technology.

Sponsors: Representatives Goehner, Chapman, Steele, Dent, DeBolt, Mosbrucker, Mead, Boehnke, Tarleton, Orcutt, Dufault, McCaslin, Ybarra, Blake, Fitzgibbon and Shea.

Brief History:

Committee Activity:

Finance: 2/7/20, 2/10/20 [DPS].

Brief Summary of Substitute Bill

- Provides a sales and use tax exemption for oil-free adjustable blade hubs for hydroelectric turbines, component parts thereof, and certain related labor and services.

HOUSE COMMITTEE ON FINANCE

Majority Report: The substitute bill be substituted therefor and the substitute bill do pass. Signed by 11 members: Representatives Tarleton, Chair; Walen, Vice Chair; Orcutt, Ranking Minority Member; Young, Assistant Ranking Minority Member; Chapman, Macri, Orwall, Springer, Stokesbary, Vick and Wylie.

Minority Report: Without recommendation. Signed by 1 member: Representative Frame.

Staff: Nick Tucker (786-7383).

Background:

Retail Sales and Use Tax.

Retail sales taxes are imposed on retail sales of most articles of tangible personal property, digital products, and some services. A retail sale is a sale to the final consumer or end user of the property, digital product, or service. If retail sales taxes were not collected when the user

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acquired the property, digital products, or services, then use tax applies to the value of property, digital product, or service when used in this state. The state, all counties, and all cities levy retail sales and use taxes. The state sales and use tax rate is 6.5 percent; local sales and use tax rates vary from 0.5 percent to 3.9 percent, depending on the location.

Tax Preferences.

State law provides for a range of tax preferences that confer reduced tax liability upon a designated class of taxpayer. Tax preferences include tax exclusions, deductions, exemptions, preferential tax rates, deferrals, and credits. Currently, Washington has over 650 tax preferences, including a variety of sales and use tax exemptions. Legislation that establishes or expands a tax preference must include a Tax Preference Performance Statement (TPPS) that identifies the public policy objective of the preference, as well as specific metrics that the Joint Legislative Audit and Review Committee (JLARC) can use to evaluate the effectiveness of the preference. All new tax preferences automatically expire after 10 years unless an alternative expiration date is provided.

Summary of Substitute Bill:

A sales and use tax exemption is provided on:

- oil-free adjustable hubs for hydroelectric turbines;
- labor and services rendered in respect to constructing, installing, repairing, altering, cleaning, or improving such hubs; and
- tangible property that will become a component of such hubs.

The exemption is provided in the form of an annual remittance and is provided only on the state portion of the sales and use tax.

To be eligible for the exemption, a taxpayer must be an "electric utility" as defined in RCW 19.29A.010.

Substitute Bill Compared to Original Bill:

The substitute bill:

- provides that the exemption be made in the form of an annual remittance;
- limits the exemption to only the state portion of the sales and use tax;
- requires taxpayers claiming the exemption to report the expected electricity generated by the turbines associated with the preference;
- limits eligible taxpayers to "electric utilities" as defined in RCW 19.29A.010;
- defines the term "hydroelectric turbine;" and
- adds a tax preference performance statement.

Appropriation: None.

Fiscal Note: Available. New fiscal note requested on February 10, 2020.

Effective Date of Substitute Bill: The bill takes effect July 1, 2020.

Staff Summary of Public Testimony:

(In support) This is an emerging technology that has the ability to make hydroelectric turbines even cleaner by removing much of the oil lubricant in the system. This results in a much lower probability of oil contamination into rivers.

The technology has a shortened life expectancy compared to conventional turbines. This preference will offset the additional costs and encourage research and development.

The preference is limited in scope, so the fiscal impacts will be minimized.

(Opposed) None.

Persons Testifying: Representative Goehner, prime sponsor; Tracy Yount, Chelan Public Utilities District; and George Caan, Washington Public Utilities District Association.

Persons Signed In To Testify But Not Testifying: None.