

SENATE BILL REPORT

SHB 2732

As of February 18, 2004

Title: An act relating to tax deferrals for wood biomass fuel investment projects.

Brief Description: Establishing tax deferrals for wood biomass fuel investment projects.

Sponsors: House Committee on Technology, Telecommunications & Energy (originally sponsored by Representatives Tom, Morris, Ruderman, Sullivan, Nixon, Crouse, Clements, Hudgins, Pearson, Jarrett and Wood).

Brief History:

Committee Activity: Natural Resources, Energy & Water: 2/20/04.

SENATE COMMITTEE ON NATURAL RESOURCES, ENERGY & WATER

Staff: Vic Moon (786-7469)

Background: Liquid fuels can be produced from wood and wood residues. Two of the methods used for producing the oils that are used in fuel products are pyrolysis and gasification.

In 2003, the Legislature enacted tax deferrals and exemptions for the manufacture, retail sale and distribution of wood biomass fuel. Investment projects for the manufacture of wood biomass fuel are eligible for the deferral of sales and use taxes under the Distressed Area Sales and Use Tax Deferral Program, or if located in a county under 225,000 in population and over 225 square miles in area.

The 2003 act also provided a preferential business and occupation (B&O) tax rate for wood biomass fuel manufacturers; a deduction from B&O taxable income for income derived from amounts of wood biomass fuel sold by retailers; and a sales and use tax exemption on equipment used for the retailing of wood biomass fuel.

These tax deferrals, exemptions, and incentives expire June 30, 2009.

Summary of Bill: The sales and use tax exemption for investment projects for the manufacture of wood biomass fuel apply regardless of geographic location of the projects.

The tax incentives for wood biomass fuel terminate prior to 2009, if the volume of wood biomass fuel manufactured in Washington exceeds 20 percent of the total of the volume of diesel fuel and wood biomass fuel manufactured in Washington.

The wood biomass-related incentives that terminate are the sales and use tax exemption on investment projects for manufacturers; the preferential B&O tax rate for manufacturers; the deduction from B&O taxable income for sales of blends of the fuel by retailers; and the sales and use tax exemption on equipment used for the retailing of wood biomass fuel.

Appropriation: None.

Fiscal Note: Available.

Effective Date: The bill takes effect on July 1, 2004.