

SENATE BILL REPORT

ESHB 1211

As of March 31, 2007

Title: An act relating to providing tax exemptions for solar hot water components.

Brief Description: Providing sales and use tax exemptions for solar hot water components.

Sponsors: House Committee on Finance (originally sponsored by Representatives Chase, Morris, Upthegrove, Wallace, Kagi, McCune, Moeller, Dunn, Linville and Morrell).

Brief History: Passed House: 3/10/07, 96-1.

Committee Activity: Ways & Means: 3/30/07.

SENATE COMMITTEE ON WAYS & MEANS

Staff: Dianne Criswell (786-7433)

Background: Sales tax is imposed on the retail sales of most items of tangible personal property and some services. The use tax is imposed on the privilege of using tangible personal property or services in instances where the sales tax does not apply. This includes purchases made from out-of-state sellers, purchases from sellers who are not required to collect Washington sales tax, items produced for use by the producer, gifts, and prizes. The tax is measured by the value of the item at the time of the first use within the state, excluding delivery charges. Use taxes are levied by the state, counties, and cities at the same rate as the sales tax. Combined state and local use tax rates vary from 7 to 8.9 percent, depending on location.

Solar Hot Water Heaters: Solar hot water heaters use the sun to heat either water or a heat-transfer fluid in collectors. The U.S. Department of Energy estimates that a typical solar hot water system will reduce the need for conventional water heating by about two-thirds.

Sales and Use Tax Exemption for Solar Hot Water Equipment: Currently, Washington law provides for a sales and use tax exemption for solar hot water heating equipment. The following equipment is exempt from state and local retail sales and use taxes:

- OG-300 rated solar water heating systems;
- OG-100 rated solar water heating collectors;
- solar heat exchangers; and
- differential solar controllers.

Also exempt from sales and use taxes are repair and replacement parts for such equipment and sales of or charges made for labor and services rendered in respect to installing, repairing, cleaning, altering, or improving such equipment.

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.

The sales and use tax exemption for solar hot water heating equipment expires on June 30, 2009.

Summary of Substitute Bill: Solar hot water heating components are exempt from state and local retail sales and use taxes. Also exempt from sales and use taxes are repair and replacement parts for such components and sales of or charges made for labor and services rendered in respect to installing, repairing, cleaning, altering, or improving such components.

A person taking the sales and use tax exemption must keep records necessary for the Department of Revenue (DOR) to verify eligibility. This exemption is available only when the buyer provides the seller with an exemption certificate in a form and manner prescribed by the DOR. The seller must retain a copy of the certificate for the seller's files.

The sales and use tax exemption for solar hot water heater components takes effect July 1, 2007, and expires on June 30, 2009.

Appropriation: None.

Fiscal Note: Available.

Committee/Commission/Task Force Created: No.

Effective Date: Ninety days after adjournment of session in which bill is passed.

Staff Summary of Public Testimony: PRO: Providing these exemptions will help reduce our carbon emissions. This bill perfects last year's bill, which provided tax incentives for solar hot water systems, but not individual components of a solar water heating system. Oftentimes installers need to customize the components to suit the conditions of each individual installation. The way solar water heating system is defined in law does not allow for these components to receive the retail and use tax exemption. This bill will remedy this situation.

Persons Testifying: PRO: Luis Moscoso, on behalf of Representative Chase; Mark Johnson, Washington Retail Association.