

SENATE BILL REPORT

E2SHB 1009

As of March 23, 2009

Title: An act relating to extending the expiration dates for existing sales and use tax exemptions related to certain electricity generation.

Brief Description: Modifying existing sales and use tax exemptions related to certain electricity generation.

Sponsors: House Committee on Finance (originally sponsored by Representatives Morris, Chase, Liias, Anderson, Orcutt, Seaquist, Hudgins and Moeller).

Brief History: Passed House: 3/10/09, 93-3.

Committee Activity: Environment, Water & Energy: 3/20/09.

SENATE COMMITTEE ON ENVIRONMENT, WATER & ENERGY

Staff: William Bridges (786-7416)

Background: Sales and Use Tax Exemptions for Renewable Power. There are currently exemptions from the retail sales and use taxes for machinery and equipment used directly to generate at least 200 watts of electricity using wind, solar energy, landfill gas, or fuel cells as a power source. The exemptions also apply to labor and services rendered in respect to the installation of eligible machinery and equipment. The exemptions expire June 30, 2009.

Eligible Renewable Resources under Initiative 937. Approved by voters in 2006, the Energy Independence Act, also known as Initiative 937, requires electric utilities with 25,000 or more customers, called "qualifying utilities," to meet targets for energy conservation and for using eligible renewable resources.

Summary of Bill: Changing the Current Sales and Use Exemptions for Renewable Power Into a Tax Refund Program for Qualifying Utilities Under I-937. Retail sales and use tax exemptions, in the form of refunds, are created for machinery and equipment used directly to generate at least 200 watts of electricity using wind, solar energy, landfill gas, or fuel cells as a power source. The refunds are only available to a qualifying utility under Initiative 937, or to a person contracting with a qualifying utility for the sale of electric power generated by a facility containing such machinery and equipment. The refunds also apply to labor and services rendered in respect to the installation of eligible machinery and equipment.

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Sellers of eligible machinery and equipment must collect the tax on sales subject to this exemption. The buyer must apply for a refund directly from the Department of Revenue in a form and manner required by the department. The refund is only for the state portion of the sales tax. The department may not provide refunds for the remainder of a fiscal biennium once the total amount of refunds provided during the fiscal biennium equals \$20 million.

The expiration date for the tax incentive is June 30, 2020.

Appropriation: None.

Fiscal Note: Available.

Committee/Commission/Task Force Created: No.

Effective Date: The bill contains an emergency clause and takes effect on June 30, 2009.

Staff Summary of Public Testimony: PRO: Wind projects generate construction jobs, maintenance jobs, and increased local tax revenues. The incentive is needed to keep Washington competitive with other states. Wind is the only utility-scale renewable energy source and utilities will need more of it to meet the I-937 targets. Many small utilities are investing in renewable power so the incentive should apply to all utilities, not just "qualifying utilities" under I-937. The expiration date should be extended and the cap should be removed.

CON: By weakening the current incentive for wind power, the bill is jeopardizing six to eight wind projects that could be sited in Washington. The siting of wind projects is a lengthy process, which requires developers to make early commitments, and this bill could hamper that process.

OTHER: Wind projects help rural economies by creating jobs and spurring economic development.

Persons Testifying: PRO: Dave Andrew, Cowlitz PUD; Ken Johnson, Puget Sound Energy; Kent Lopez, Washington Rural Electric Cooperative Association.

CON: John Audley, Renewable NW Project; Tyson Utt, Horizon Wind Energy.

OTHER: Debbie Strand, Strand Consulting.