

SENATE BILL REPORT

E2SHB 1009

As Reported by Senate Committee On:
Environment, Water & Energy, March 25, 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, Lias, Anderson, Orcutt, Seaquist, Hudgins and Moeller).

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

Committee Activity: Environment, Water & Energy: 3/20/09, 3/25/09 [DPA-WM, DNP].

SENATE COMMITTEE ON ENVIRONMENT, WATER & ENERGY

Majority Report: Do pass as amended and be referred to Committee on Ways & Means.

Signed by Senators Rockefeller, Chair; Pridemore, Vice Chair; Honeyford, Ranking Minority Member; Fraser, Hatfield, Marr and Ranker.

Minority Report: Do not pass.

Signed by Senators Delvin, Holmquist and Morton.

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.

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.

Summary of Bill (Recommended Amendments): Changing the Current Sales and Use Exemptions for Renewable Power Into a Tax Refund Program. Retail sales and use tax exemptions, in the form of remittances, are created for machinery and equipment used directly to generate at least 200 watts of electricity from the following sources: fuel cells, wind, sun, biomass energy, tidal or wave energy, geothermal resources, anaerobic digestion, technology that converts otherwise lost energy from exhaust, or landfill gas.

The amount of the exemption is equal to (1) 75 percent of the state and local sales tax paid on purchases made from the effective date of this act through June 30, 2013; and (2) 50 percent of the state and local sales tax paid on purchases made from July 1, 2013, through June 30, 2020.

The tax exemptions apply to local retail sales and use taxes imposed by local governmental entities, including taxes to fund high capacity transportation systems.

EFFECT OF CHANGES MADE BY ENVIRONMENT, WATER & ENERGY COMMITTEE (Recommended Amendments): A striking amendment creates new sales and use tax exemptions for machinery and equipment used to generate at least 200 watts of electricity from the following sources: fuel cells, wind, sun, biomass energy, tidal or wave energy, geothermal resources, anaerobic digestion, technology that converts otherwise lost energy from exhaust, or landfill gas. The amount of the exemption is equal to: (1) 75 percent of the state and local sales tax paid on purchases made from the effective date of this act through June 30, 2013; and (2) 50 percent of the state and local sales tax paid on purchases made from July 1, 2013, through June 30, 2020. The tax exemption is provided to qualifying entities in the form of a remittance. The tax exemptions apply to local retail sales and use taxes imposed by local governmental entities, including taxes to fund high capacity transportation systems. The limitation concerning "qualifying utilities" under I-937 is removed.

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 on Engrossed Second Substitute House Bill: 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.