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**SENATE BILL 5575**

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**State of Washington 64th Legislature 2015 Regular Session**

**By** Senators Braun, Honeyford, and Hatfield

AN ACT Relating to providing sales and use tax exemptions to encourage coal-fired electric generation plants to convert to natural gas-fired plants; adding a new section to chapter 82.08 RCW; adding a new section to chapter 82.12 RCW; creating a new section; and providing expiration dates.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

NEW SECTION. **Sec.**  This section is the tax preference performance statement for the tax preference contained in sections 2 and 3 of this act. This performance statement is only intended to be used for subsequent evaluation of the tax preference. It is not intended to create a private right of action by any party or be used to determine eligibility for preferential tax treatment.

(1) The legislature categorizes this tax preference as one intended to create or retain jobs, as indicated in RCW 82.32.808(2)(c).

(2) It is the legislature's specific public policy objective to retain jobs at existing coal-fired electric generation facilities by providing a tax exemption to allow these facilities to convert into natural gas-fired generation plants rather than shut down entirely. It is the legislature's intent to provide a tax exemption for the conversion of a coal-fired electric generation facility into a natural gas-fired generation plant, in order to reduce the costs recently imposed by the legislature on companies that operate coal-fired electric generation facilities, thereby increasing the ability of these companies to continue their operations in Washington state, thereby retaining jobs that otherwise would be lost if a coal-fired electric generation facility were to shut down.

(3) This tax preference is created to provide an opportunity for coal-fired electric generation facilities to convert into natural gas-fired generation plants. This tax preference is meant to expire and, therefore, the joint legislative audit and review committee is exempt from reviewing this tax preference as required in chapter 43.136 RCW.

NEW SECTION. **Sec.**  A new section is added to chapter 82.08 RCW to read as follows:

(1) The tax levied by RCW 82.08.020 does not apply to the sale of or charge made for:

(a) Labor and services rendered in respect to the constructing of new structures, and expansion or renovation of existing structures, for the purpose of converting a coal-fired electric generation facility into a natural gas-fired plant;

(b) Materials that will be incorporated as an ingredient or component of new or existing structures during the course of such constructing, expanding, or renovating; and

(c) Machinery and equipment that is required to convert a coal-fired electric generation facility into a natural gas-fired plant, including labor and services rendered in respect to installing such machinery and equipment.

(2) Sellers making tax-exempt sales under this section must obtain from the purchaser an exemption certificate in a form and manner prescribed by the department. The seller must retain a copy of the certificate for the seller's files.

(3)(a) For purposes of this section, "machinery and equipment" means industrial fixtures, devices, and support facilities that are integral and necessary to the generation of electricity using natural gas, including repair parts and replacement parts.

(b) "Machinery and equipment" does not include: (i) Hand-powered tools; (ii) property with a useful life of less than one year; (iii) repair parts required to restore machinery and equipment to normal working order; (iv) replacement parts that do not increase productivity, improve efficiency, or extend the useful life of machinery and equipment; (v) buildings; or (vi) building fixtures that are not integral and necessary to the generation of electricity that are permanently affixed to and become a physical part of a building.

(4) This section expires July 1, 2025.

NEW SECTION. **Sec.**  A new section is added to chapter 82.12 RCW to read as follows:

(1) The tax levied by RCW 82.12.020 does not apply to the use of:

(a) Materials that will be incorporated as an ingredient or component of new or existing structures during the course of the constructing of new structures, or expansion or renovation of existing structures, for the purpose of converting a coal-fired electric generation facility into a natural gas-fired plant; and

(b) Machinery and equipment that is required to convert a coal-fired electric generation facility into a natural gas-fired plant, including labor and services rendered in respect to installing such machinery and equipment.

(2) The exemption in this section does not apply to the use of materials, machinery and equipment, and installation labor for machinery and equipment, when first used within this state if such materials, machinery and equipment, and installation labor occurred on or after June 30, 2025.

(3) The definitions in section 2 of this act apply to this section.

(4) This section expires July 1, 2025.

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