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## Finance Committee

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### ESSB 6012

**Brief Description:** Promoting renewable energy through modifying tax incentives.

**Sponsors:** Senate Committee on Ways & Means (originally sponsored by Senators Hawkins and Palumbo).

**Brief Summary of Engrossed Substitute Bill**

- Provides a sales and use tax exemption for oil-free adjustable blade hubs for hydroelectric turbines, component parts thereof, and certain related labor and services.

**Hearing Date:** 2/25/20

**Staff:** Nick Tucker (786-7383).

**Background:**

Retail Sales and Use Tax.

Retail sales taxes are imposed on retail sales of most articles of tangible personal property, digital products, and some services. A retail sale is a sale to the final consumer or end user of the property, digital product, or service. If retail sales taxes were not collected when the user acquired the property, digital products, or services, then use tax applies to the value of property, digital product, or service when used in this state. The state, all counties, and all cities levy retail sales and use taxes. The state sales and use tax rate is 6.5 percent; local sales and use tax rates vary from 0.5 percent to 3.9 percent, depending on the location.

Tax Preferences.

State law provides for a range of tax preferences that confer reduced tax liability upon a designated class of taxpayer. Tax preferences include tax exclusions, deductions, exemptions, preferential tax rates, deferrals, and credits. Currently, Washington has over 650 tax preferences, including a variety of sales and use tax exemptions. Legislation that establishes or expands a tax preference must include a Tax Preference Performance Statement that identifies the public policy

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objective of the preference, as well as specific metrics that the Joint Legislative Audit and Review Committee (JLARC) can use to evaluate the effectiveness of the preference. All new tax preferences automatically expire after 10 years unless an alternative expiration date is provided.

**Summary of Bill:**

A sales and use tax exemption is provided on:

- oil-free adjustable hubs for hydroelectric turbines;
- labor and services rendered in respect to constructing, installing, repairing, altering, cleaning, or improving such hubs; and
- tangible property that will become a component of such hubs.

"Oil-free adjustable blade hub for hydroelectric turbine" means a type of horizontal or vertical hydroelectric turbine with adjustable blades that does not use oil on the runner hub to lubricate the internal components.

The exemption is provided in the form of a quarterly remittance and is provided only on the state portion of the sales and use tax. To be eligible for the remittance, the Department of Labor and Industries must certify that the taxpayer compensates workers at prevailing wage rates for the project.

The bill is null and void if the fiscal impacts of the bill are not referenced in the state operating budget by June 30, 2020.

The bill includes a tax preference performance statement requiring JLARC to determine if a majority of new or replacement turbines incorporate oil-free adjustable blade hubs and if oil-free systems continue to cost more than traditional systems.

The exemption expires July 1, 2030.

**Appropriation:** None.

**Fiscal Note:** Requested on February 21, 2020.

**Effective Date:** The bill takes effect July 1, 2020.