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**HOUSE BILL 1018**

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**State of Washington 68th Legislature 2023 Regular Session**

**By** Representatives Tharinger, Chapman, Orcutt, Abbarno, Fey, Ryu, and Wylie

AN ACT Relating to changing the expiration date for the sales and use tax exemption of hog fuel to comply with the 2045 deadline for fossil fuel-free electrical generation in Washington state and to protect jobs with health care and retirement benefits in economically distressed communities; amending RCW 82.08.956, 82.12.956, and 82.32.605; creating new sections; and providing expiration dates.

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

NEW SECTION. **Sec.**  It is the intent of the legislature to retain and grow family wage jobs in rural, economically distressed areas; to promote healthy forests; and to utilize Washington's abundant natural resources to promote diversified renewable energy use in the state.

**Sec.**  RCW 82.08.956 and 2021 c 145 s 11 are each amended to read as follows:

(1) The tax levied by RCW 82.08.020 does not apply to sales of hog fuel used to produce electricity, steam, heat, or biofuel. This exemption is available only if the buyer provides the seller with 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.

(2) For the purposes of this section the following definitions apply:

(a) "Hog fuel" means wood waste and other wood residuals including forest derived biomass. "Hog fuel" does not include firewood or wood pellets; and

(b) "Biofuel" means a liquid or gaseous fuel derived from organic matter intended for use as a transportation fuel including, but not limited to, biodiesel, renewable diesel, ethanol, renewable natural gas, and renewable propane.

(3) If a taxpayer who claimed an exemption under this section closes a facility in Washington for which employment positions were reported under RCW 82.32.605, resulting in a loss of jobs located within the state, the department must declare the amount of the tax exemption claimed under this section for the previous two calendar years to be immediately due.

(4) This section expires June 30, ((~~2024~~)) 2034.

**Sec.**  RCW 82.12.956 and 2021 c 145 s 14 are each amended to read as follows:

(1) The provisions of this chapter do not apply with respect to the use of hog fuel for production of electricity, steam, heat, or biofuel.

(2) For the purposes of this section:

(a) "Hog fuel" has the same meaning as provided in RCW 82.08.956; and

(b) "Biofuel" has the same meaning as provided in RCW 82.08.956.

(3) This section expires June 30, ((~~2024~~)) 2034.

**Sec.**  RCW 82.32.605 and 2017 c 135 s 5 are each amended to read as follows:

(1) Every taxpayer claiming an exemption under RCW 82.08.956 or 82.12.956 must file with the department a complete annual tax performance report under RCW 82.32.534, except that the taxpayer must file a separate tax performance report for each facility owned or operated in the state of Washington.

(2) This section expires June 30, ((~~2024~~)) 2034.

NEW SECTION. **Sec.**  (1) This section is the tax preference performance statement for the tax preferences contained in sections 2 and 3, chapter . . ., Laws of 2023 (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.

(2) The legislature categorizes these tax preferences as ones intended to induce certain designated behavior by taxpayers, as indicated in RCW 82.32.808(2)(a).

(3) It is the legislature's specific public policy objective to extend the expiration date of these tax preferences in order to increase the ability of beneficiary facilities to provide at least 75 percent of their employees with medical and dental insurance and a retirement plan. For the purposes of this tax preference performance statement, retirement plans may include defined benefit plans, defined contribution plans, or an employee investment plan whereby the employer offers a contribution to the employee plan.

(4) In order to obtain the data necessary to measure the effectiveness of these tax preferences in achieving the public policy objective described in subsection (3) of this section, the joint legislative audit and review committee may refer to:

(a) The annual tax performance report that a taxpayer is required to file with the department of revenue per RCW 82.32.605; and

(b) Employment data available from the employment security department.

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