

**SENATE BILL REPORT**

**ESB 6116**

**AS PASSED SENATE, FEBRUARY 13, 1992**

**Brief Description:** Deferring certain taxes for cogeneration facilities.

**SPONSORS:** Senators Sellar, Murray, Anderson and McMullen

**SENATE COMMITTEE ON ENERGY & UTILITIES**

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

Signed by Senators Thorsness, Chairman; Jesernig, Patterson, Roach, Stratton, Sutherland, and Williams.

**Staff:** Phil Moeller (786-7445)

**Hearing Dates:** January 28, 1992; January 31, 1992

**SENATE COMMITTEE ON WAYS & MEANS**

**Majority Report:** Do pass.

Signed by Senators McDonald, Chairman; Craswell, Vice Chairman; Amondson, Bailey, Bauer, Bluechel, Cantu, Gaspard, Hayner, M. Kreidler, Murray, Newhouse, Niemi, Owen, Rinehart, Saling, L. Smith, Talmadge, West, Williams, and Wojahn.

**Staff:** Terry Wilson (786-7715)

**Hearing Dates:** February 4, 1992; February 5, 1992

**BACKGROUND:**

In 1985 the Legislature enacted a program allowing sales and use tax deferrals for qualifying investment projects. Minor changes to the program have been made, including extending its expiration until December 31, 1994.

The program provides a five-year payback schedule on the deferred sales and use taxes, with the initial payment of 10 percent of the total due on December 31 of the third year after the project is in use. Fifteen percent of the total is due the following year, 20 percent the next year, 25 percent the subsequent year, and 30 percent the final year.

"Cogeneration" is a term used to describe a process that provides useful heat and the ability to generate electricity from burning one fuel source. Regional energy planners are counting on cogeneration to supply much of the future need for electricity. In most cases, this would occur in an industrial setting and the fuel source would be natural gas.

**SUMMARY:**

The program allowing a sales and use tax deferral is extended to include the acquisition or installation of machinery, equipment and property for the primary purpose of cogeneration by a person or corporation other than an electric utility.

**Appropriation:** none

**Revenue:** none

**Fiscal Note:** available

**TESTIMONY FOR (Energy & Utilities):**

This bill will provide added incentive to develop cogeneration projects. These projects will help create jobs and provide certain industries with the ability to better manage energy needs. Cogeneration is seen as one of the best processes to obtain additional electricity resources. The taxes are only deferred and not excused.

**TESTIMONY AGAINST (Energy & Utilities):** None

**TESTIFIED (Energy & Utilities):** PRO: Senator George Sellar, prime sponsor; Llewellyn Matthews, Northwest Pulp and Paper Association; Senator Ann Anderson

**TESTIMONY FOR (Ways & Means):**

We are facing energy shortages. It is a good idea to encourage the generation of energy as a by-product of other processes.

**TESTIMONY AGAINST (Ways & Means):** None

**TESTIFIED (Ways & Means):** Senator Sellar, prime sponsor