

SENATE BILL REPORT

HB 3114

As Reported By Senate Committee On:
Ways & Means, February 27, 2006

Title: An act relating to a sales and use tax exemption for recovered wood waste boiler equipment used in steam production.

Brief Description: Providing a sales and use tax exemption for recovered wood waste boiler equipment.

Sponsors: Representatives Murray and Dunn.

Brief History: Passed House: 2/10/06, 96-2.

Committee Activity: Water, Energy & Environment: 2/21/06 [w/oRec-WM].
Ways & Means: 2/24/06, 2/27/06 [DP, w/oRec].

SENATE COMMITTEE ON WAYS & MEANS

Majority Report: Do pass.

Signed by Senators Prentice, Chair; Fraser, Vice Chair, Capital Budget Chair; Doumit, Vice Chair, Operating Budget; Zarelli, Ranking Minority Member; Brandland, Fairley, Parlette, Rasmussen, Roach and Rockefeller.

Minority Report: That it be referred without recommendation.

Signed by Senators Pflug and Schoesler.

Staff: Dean Carlson (786-7305)

Background: The retail sales tax applies to the selling price of tangible personal property and of certain services purchased at retail. The use tax applies if retail sales tax has not been collected. Both the state and local governments impose sales and use taxes; the state rate is 6.5 percent and the average local rate is about 2 percent statewide. Sales taxes are collected by the seller from the buyer at the time of sale. Use tax is remitted directly to the Department of Revenue. State revenues are deposited to the State General Fund.

Retail sales and use taxes apply to all items of tangible personal property unless specifically exempt. Examples of exemptions for property that is used to generate energy are machinery and equipment, including installation and labor costs, that are used directly in generating electricity from wind, sun, landfill gas, or fuel cells.

Wood waste boilers. Wood waste, including mill residues, lumber yard scraps, construction site materials, and other discarded wood, is used in such markets as hog fuel, pulp chips, compost and landscaping chips, composite building materials, and architectural wood. Hog fuel, created by processing wood wastes through a hog or grinder to produce course wood chips, is the largest market for discarded construction, demolition, or remodeling activity wood in King County, according to a 2004 market assessment of construction and demolition

(C) waste materials conducted for the King County Solid Waste Division. The fuel is burned in wood waste boilers to create steam and heat. In Washington, the fuel is principally utilized by the pulp and paper industry.

At the time that the 2004 King County (C) waste material market assessment was issued, hog fuel was more than twice as economical for heat energy production as was natural gas in standard heat energy production equipment, according to the assessment.

Summary of Bill: An exemption from retail sales and use tax is provided for the acquisition of recovered wood waste boiler equipment used primarily in the production of steam for sale. Recovered wood waste is defined to mean discarded wood. The steam must be sold for use in sterilizing personal property, heating water, or heating buildings or personal property. The exemption also applies to repair or replacement parts and to associated labor and services.

The types of equipment covered by the exemption include boilers, wood waste storage facilities located at the plant, conveyers to transport the waste from storage to the boilers, and associated emissions control equipment.

Appropriation: None.

Fiscal Note: Available.

Committee/Commission/Task Force Created: No.

Effective Date: This bill takes effect July 1, 2006.

Testimony For: Seattle steam provides steam to businesses in Seattle. They currently use natural gas and oil to provide the steam. This is a tax fairness issue, because it should be exempt from tax under the manufacturing equipment exemption under the streamline sales tax statutes. However, the Department of Revenue still doesn't believe steam is tangible personal property. The department drafted this bill so Seattle steam would be the only business to qualify and they will only do so once. They are going to convert natural gas boilers to wood waste boilers. There will be scrubbers on the boilers to reduce emissions which will reduce the carbon monoxide in Seattle.

Testimony Against: None.

Who Testified: PRO: Len McComb, Seattle Steam.