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**Finance Committee**

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**HB 3256**

**Brief Description:** Removing the expiration dates of sales and use tax exemptions for machinery and equipment used in generating electricity.

**Sponsors:** Representative Morris.

**Brief Summary of Bill**

- Eliminates the expiration date for the renewable energy sales and use tax exemption.

**Hearing Date:** 2/4/08

**Staff:** Jeff Mitchell (786-7139).

**Background:**

Retail sales and use taxes are imposed by the state, most cities, and all counties. Retail sales taxes are imposed on retail sales of most articles of tangible personal property and some services. Use taxes apply to the value of most tangible personal property and some services when used in this state, if retail sales taxes were not collected when the property or services were acquired by the user. Use tax rates are the same as retail sales tax rates. The state tax rate is 6.5 percent. Local tax rates vary from 0.5 percent to 2.4 percent, depending on the location. The average local tax rate is 2.0, for an average combined state and local tax rate of 8.5 percent.

A retail sales and use tax exemption applies to the sale or use of machinery and equipment (M&E) used directly in generating electricity from alternative sources. These sources are fuel cells, wind, sunlight, and landfill gas. The exemption also applies to labor and services rendered in respect to the installation of eligible machinery and equipment. The generating facility must be capable of generating at least 200 watts of electricity. The exemption expires June 30, 2009.

**Summary of Bill:**

The June 30, 2009, expiration date for the renewable energy M&E sales and use tax exemption is eliminated, making the sales and use tax exemption permanent.

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*This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.*

**Appropriation:** None.

**Fiscal Note:** Requested on January 28, 2008.

**Effective Date:** The bill takes effect 90 days after adjournment of session in which bill is passed.