
RENEWABLE ENERGY DEVELOPMENT

STATE TAX POLICIES AND INCENTIVES IMPACTING RENEWABLE ENERGY DEVELOPMENT

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State Taxes that Impact Development

Gross Receipts Tax

Business & Occupation Tax (B&O) of 0.13 percent to 3.3 percent

Property Tax as a Percent of Income



	<p>2.84 percent</p> <p><u>Sales Tax</u></p> <p>6.5 percent</p> <p><u>Unemployment Insurance Tax</u></p> <p>0.49 percent to 6 percent</p> <p><u>Gasoline and Diesel Tax</u></p> <p>37.5 cents per gallon</p>
<p>Doing Business in Indian Country</p>	<p>States cannot tax property held in trust for an Indian tribe.</p> <p><u>Property Tax Exemptions</u></p> <ul style="list-style-type: none"> ➤ Tribal housing authorities and intertribal housing authorities (RCW 35.82.210) ➤ If a property is owned by a federally-recognized tribe and is used only for government services it is tax exempt (RCW 84.36.010)
<p>Tax Incentives</p> <ul style="list-style-type: none"> ➤ Sales and Use Tax Exemption 	<p><u>Renewable Energy Sales and Use Tax Exemption</u></p> <p>Washington does not tax the sales of equipment used to generate electricity using certain renewable fuels. Systems must be at least 1 kW.</p> <ul style="list-style-type: none"> ➤ <i>Incentive:</i> 100 percent sales tax exemption ➤ <i>Eligible Renewable Technologies:</i> Photovoltaics, Wind, Biomass, Landfill Gas, Fuel Cells, Geothermal Electric, Anaerobic Digestion, Wave Energy, Tidal Energy, Fuel Cells using Renewable Fuels ➤ <i>Applicable Sectors:</i> General Public/Consumer, Residential and Commercial ➤ <i>Expiration:</i> June 30, 2013 ➤ <i>Authorities:</i> SB 6170 (2009), RCW § 82.08.962 (2009) and RCW § 82.08.835 (2006)
<p>State-Implemented</p>	<p><u>Tax Abatement for Solar Manufacturers</u></p>



<p>Manufacturing and Business Incentives</p> <ul style="list-style-type: none"> ➤ Tax Abatement for Solar Manufacturers 	<p>Washington provides a reduced business and occupation (B&O) tax rate for manufacturers and wholesale marketers of solar electric (photovoltaic) modules, stirling converters and silicon components. Senate Bill 6170 of 2009 reduced the B&O tax rate to 0.275 percent, which is 43 percent lower than the standard manufacturing B&O tax rate.</p> <ul style="list-style-type: none"> ➤ <i>Incentive:</i> 43 percent reduction of business and occupation tax ➤ <i>Eligible Renewable Technologies:</i> Photovoltaics and Stirling Converters ➤ <i>Applicable Sector:</i> Industrial ➤ <i>Expiration:</i> June 30, 2014 ➤ <i>Authority:</i> RCW 82.04.294 <p>For more information visit http://dor.wa.gov/content/findtaxesandrates/bandotax/.</p>
<p>State-Implemented Financial Incentives and Programs</p> <ul style="list-style-type: none"> ➤ Renewable Energy Production Incentives 	<p><u>Renewable Energy Production Incentives</u></p> <p>Washington’s performance-based incentives, paid to the producer, start at a base rate of \$0.15 per kilowatt-hour and is adjusted based on different factors depending on the resource. Multipliers result in incentives that range from \$0.12 to \$1.08/kWh, capped at \$5,000 per year. Incentives are paid by utilities who earn tax credits equal to the costs.</p> <p>The project must be on the grid. Community solar projects up to 75 kW are eligible.</p> <ul style="list-style-type: none"> ➤ <i>Incentive:</i> \$0.12/kWh to \$1.08/kWh, depending on the project ➤ <i>Maximum Incentive:</i> \$5,000 per year ➤ <i>Eligible Renewable Technologies:</i> Solar Thermal Electric, Photovoltaics, Anaerobic Digestion and Wind ➤ <i>Expiration:</i> June 30, 2020 ➤ <i>Authorities:</i> RCW 82.16.110 et seq. (2005), WAC 458-20-273 (2006) and WAC 458-20-273 Emergency Rules (2011) <p>For more information visit http://www.energy.wsu.edu/.</p>
<p>Renewable Portfolio Standard</p>	<p>15 percent renewables by 2020 and cost-effective conservation</p> <p>Washington set an incremental standard. By January 1, 2012, at least 3 percent of the state’s load must come from renewables. This increases to 9 percent by 2016 and 15 percent by 2020.</p>



- *Eligible Renewable Technologies:* CHP/Cogeneration, Solar Thermal Electric, Photovoltaics, Landfill Gas, Biomass, Hydroelectric, Wind, Geothermal Electric, Anaerobic Digestion, Ocean Thermal, Wave Energy, Tidal Energy and Biodiesel
- *Applicable Sectors:* Rural Electric Cooperative, Investor-Owned Utility and Municipal Utility
- *Authorities:* WAC 194-37, RCW 19.285 (Energy Independence Act 2006), and WAC 480-109

Regulatory Policies

- Net Metering
- Interconnection Standards
- Solar Easements & Rights Laws
- Green Building and Energy Reduction Standards for State Agencies
- Mandatory Utility Green Power Option

Net Metering

Net metering law applies to systems up to 100 kilowatts in capacity that generate electricity using certain renewables. All customer classes are eligible, and net metering is available on a first-come, first-served basis until a defined limit is met.

- *Eligible Renewable Technologies:* Solar Thermal Electric, Wind, Photovoltaics, Fuel Cells, Hydroelectric, CHP/Cogeneration, Small Hydroelectric and Fuel Cells using Renewable Fuels
- *Applicable Sectors:* Commercial, Residential and Industrial
- *Applicable Utilities:* All
- *Aggregate Capacity Limit:* 0.25 percent of utility's 1996 peak demand. This increases to 0.5 percent January 1, 2014
- *Authority:* Rev. Code Wash. § 80.60 (1998)

Interconnection Standards

Washington's interconnection standards apply for distributed generation systems up to 20 megawatts in capacity. There are two separate levels of interconnection based on capacity—for systems up to 300 kilowatts and for those between 300 kW and 20 MW. Standards apply to IOU's but not municipal utilities or electric cooperatives.

- *Eligible Renewable Technologies:* Solar Thermal Electric, Landfill Gas, Wind, Biomass, Photovoltaics, Hydroelectric, Geothermal Electric, Municipal Solid Waste, Fuel Cells, CHP/Cogeneration, Anaerobic Digestion, Small Hydroelectric, Wave Energy, Tidal Energy, Micro turbines, Fuel Cells using Renewable Fuels and other distributed generation technologies
- *Applicable Sectors:* Commercial, Residential, Industrial, State Government, Federal Government, Nonprofit, Schools, Local Government, Agricultural and Institutional



- *System Capacity Limit:* 20 MW
- *Authority:* Chapter 480-108 WAC

For more information visit

<http://www.utc.wa.gov/consumers/energy/Pages/default.aspx>.

Solar Easements & Rights Laws

Washington law allows parties to enter into solar easement contracts voluntarily. Homeowner's associations cannot prohibit installation of solar panels as long as the panels meet certain criteria.

- *Eligible Renewable Technologies:* Passive Solar Space Heat, Solar Water Heat, Solar Space Heat, Solar Thermal Electric, Solar Thermal Process Heat and Photovoltaics
- *Applicable Sectors:* State Government, Local Government, Federal Government, Agricultural, Institutional, Commercial, Industrial, Residential and Nonprofit
- *Authorities:* RCW 64.04.140 (1979) and SB 5136 (2009)

Green Building and Energy Reduction Standards for State Agencies

State agency building projects over 25,000 square feet must meet Leadership in Energy and Environmental Design (LEED) Silver Standard. State agencies must use all cost-effective means available to meet the standard, including efficiency and renewable energy technologies.

- *Goal:* Create a 10 percent reduction in energy purchases from fiscal year 2003 levels by September 2009 (all state agencies, institutions of higher education, commissions and public schools)
- *Eligible Renewable Technologies:* Passive Solar Space Heat, Solar Water Heat, Solar Space Heat, Photovoltaics, Wind, Biomass, Geothermal Heat Pumps, Biogas, CHP/Cogeneration, Daylighting and Small Hydroelectric
- *Applicable Sector:* State Government
- *Authorities:* WA Executive Order 05-01 and RCW § 39.35D.010 et seq.

For more information visit <http://www.ga.wa.gov/energy/index.html>.

Mandatory Utility Green Power Option

All electric utilities that serve more than 25,000 customers must offer the option of purchasing renewable energy. Each utility must inform customers



of the voluntary option on a quarterly basis.

- *Eligible Renewable Technologies:* Solar Thermal Electric, Photovoltaics, Biomass, Hydroelectric, Wind, Wave Energy, Municipal Solid Waste, Tidal Energy and Geothermal Electric
- *Applicable Sectors:* Investor-Owned Utility, Rural Electric Cooperative, PUD, Irrigation District, Municipal Utility, Mutual Corporation, and all electric utilities with more than 25,000 customers
- *Authority:* RCW 19.29A.090

For more information visit

<http://www.utc.wa.gov/regulatedIndustries/utilities/energy/Pages/greenPowerProgramsInWA.aspx>.

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Incentives for Businesses 50 State Handbook, State Capitol Group (Washington, D.C.: State Capitol Group, July 2010); www.statecapitalgroup.org

Robyn, Mark, *2012 State Business Tax Climate Index*, Tax Foundation (Washington, D.C.: Tax Foundation, January 2012); http://taxfoundation.org/files/2012_tax_foundation_index_bp62.pdf.

Various state websites



National Conference of State Legislatures