Washington State Biomass Policies and Instruments

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2000-2013
Tax Policy:

**Biofuels Production Tax Exemption** (1998) – qualifying buildings, equipment, and land used in the manufacturing of alcohol fuel, biodiesel, or biodiesel feedstocks are exempt from state and local property and leasehold taxes for a period of six years. Additionally, until July 1, 2009, a reduced Business and Occupation tax rate of 0.138% applies to individuals engaged in alcohol fuel, biodiesel fuel, or biodiesel feedstock manufacturing.

**Sales and Use Tax Exemption** – In Washington State, tax does not apply to the sales of equipment used to generate electricity from wind, sun, landfill gas, biomass, solar water heating, or fuel cells. The tax exemption applies to labor and services related to the installation of equipment, as well as to sales of equipment and machinery. Beginning on July 1, 2009, through June 30, 2011, the tax levied by RCW 82.08.020 does not apply to the sale of machinery and equipment described in (a) of this subsection that are used directly in generating electricity or to sales of or charges made for labor and services rendered in respect to installing such machinery and equipment. Beginning on July 1, 2011, through January 1, 2020, the amount of the exemption under this subsection (1) is equal to seventy-five percent of the state and local sales tax paid. The purchaser is eligible for an exemption under this subsection (1) (c) in the form of a remittance.

**Biofuels Tax Deduction** – in computing tax there may be deducted from the measure of tax amounts received from the retail sale, or for the distribution, of: (a) Biodiesel fuel; or (b) E85 motor fuel. This deduction is available until July 1, 2015.

**Biofuels Retail Tax Exemption** – (1) The tax levied by RCW 82.08.020 does not apply to sales of machinery and equipment, or to services rendered in respect to constructing structures, installing, constructing, repairing, cleaning, decorating, altering, or improving of structures or machinery and equipment, or to sales of tangible personal property that becomes an ingredient or component of structures or machinery and equipment, if the machinery, equipment, or structure is used directly for the retail sale of a biodiesel blend or E85 motor fuel. Structures and machinery and equipment that are used for the retail sale of a biodiesel blend or E85 motor fuel and for other purposes are exempt only on the portion used directly for the retail sale of a biodiesel blend or E85 motor fuel. (2) The tax levied by RCW 82.08.020 does not apply to sales of fuel delivery vehicles or to sales of or charges made for labor and services rendered in respect to installing, repairing, cleaning, altering, or improving the vehicles including repair parts and replacement parts if at least seventy-five percent of the fuel distributed by the vehicles is a biodiesel blend or E85 motor fuel. (3) A person taking the exemption under this section must keep records necessary for the department to verify eligibility under this section. The exemption is available only when the buyer provides the seller with an exemption certificate in a form and manner prescribed by the department. The seller shall retain a copy of the certificate for the seller's files.

**Business and Occupation Tax** – (1) The tax levied by RCW 82.08.020 does not apply to sales of machinery and equipment, or to services rendered in respect to constructing structures, installing, constructing, repairing, cleaning, decorating, altering, or improving of structures or machinery and equipment, or to sales of tangible personal property that becomes an ingredient or component of structures or machinery and equipment, if the machinery, equipment, or structure is used directly for the retail sale of a biodiesel blend or E85 motor fuel. Structures and machinery and equipment that are used for the retail sale of a biodiesel blend or E85 motor fuel and for other purposes are exempt only on the portion used directly for the retail sale of a biodiesel blend or E85 motor fuel. (2) The tax levied by RCW 82.08.020 does not apply to sales of fuel delivery vehicles or to sales of or charges made for labor and services rendered in respect to installing, repairing, cleaning, altering, or improving the vehicles including repair parts and replacement parts if at least seventy-five percent of the fuel distributed by the vehicles is a biodiesel blend or E85 motor fuel. (3) A person taking the exemption under this section must keep records necessary for the department to verify eligibility under this section. The exemption is available only when the buyer provides the seller with an exemption certificate in a form and manner prescribed by the department. The seller shall retain a copy of the certificate for the seller's files.
Tax on Manufacturers and Processors of Timber Product Activities – (a) Wheat into flour, barley into pearl barley, soybeans into soybean oil, canola into canola oil, canola meal, or canola by-products, or sunflower seeds into sunflower oil; as to such persons the amount of tax with respect to such business is equal to the value of the flour, pearl barley, oil, canola meal, or canola by-product manufactured, multiplied by the rate of 0.138 percent; (b) Beginning July 1, 2015, seafood products that remain in a raw, raw frozen, or raw salted state at the completion of the manufacturing by that person; or selling manufactured seafood products that remain in a raw, raw frozen, or raw salted state at the completion of the manufacturing, to purchasers who transport in the ordinary course of business the goods out of this state; as to such persons the amount of tax with respect to such business is equal to the value of the products manufactured, multiplied by the rate of 0.138 percent. Sellers must keep and preserve records for the period required by RCW 82.32.070 establishing that the goods were transported by the purchaser in the ordinary course of business out of this state; (c)(i) Beginning July 1, 2015, dairy products; or selling dairy products that the person has manufactured to purchasers who either transport in the ordinary course of business the goods out of state or purchasers who use such dairy products as an ingredient or component in the manufacturing of a dairy product; as to such persons the tax imposed is equal to the value of the products manufactured or the gross proceeds derived from such sales, multiplied by the rate of 0.138 percent. Sellers must keep and preserve records for the period required by RCW 82.32.070 establishing that the goods were transported by the purchaser in the ordinary course of business out of this state or sold to a manufacturer for use as an ingredient or component in the manufacturing of a dairy product.

Exemptions - Property Used to Manufacture Alcohol, Biodiesel, or Wood Biomass Fuel – all leasehold interests in buildings, machinery, equipment, and other personal property which are used primarily for the manufacturing of alcohol fuel, wood biomass fuel, biodiesel fuel, biodiesel feedstock, or the operation of an anaerobic digester, the land upon which this property is located, and land that is reasonably necessary in the manufacturing of alcohol fuel, wood biomass fuel, biodiesel fuel, biodiesel feedstock, or the operation of an anaerobic digester, but not land necessary for growing of crops, which together comprise a new manufacturing facility or an addition to an existing manufacturing facility, are exempt from leasehold taxes for a period of six years from the date on which the facility or the addition to the existing facility becomes operational.

Rules and Regulations:

Renewable Energy Standard – in 2006, Washington State passed a Renewable Energy Standard (RES) by ballot initiative I-937. The RES requires electric utilities that serve more than 25,000 customers in the state to generate 15 percent of their electric load from new renewables by the year 2020. The RES starts at three percent of a utility's load for 2012 to 2015, rising to nine percent for 2016 to 2019, and 20 percent from 2020 forward. Renewably fueled DG with a capacity of not more than 5 MW is eligible under the renewable portion of the RES. DG may also be counted as double the facility's electrical output if the utility owns the facility, has contracted for the DG and associated RECs, or has contracted to purchase only the related RECs. Renewable resources include electricity produced from: water; wind; solar energy; geothermal energy; landfill gas; wave, ocean, or tidal power; gas from sewage treatment facilities; biodiesel fuel (must meet specified standards); and biomass energy based on animal waste or solid organic fuels from wood, forest, or field residues, or dedicated energy crops.

Market Activity:

Net Metering (1998)– Washington’s net-metering law applies to systems up to 100 kilowatts (kW) in capacity that generate electricity using solar, wind, hydro, biogas from animal waste, or combined heat and power technologies (including fuel cells). All customer classes are eligible, and all utilities - including municipal utilities and electric cooperatives must offer net metering. Net metering is available on a first-come, first-served basis until the cumulative generating capacity of net-metered systems equals 0.25% of a utility’s peak demand during 1996. This limit will increase to 0.5% on January 1, 2014. At least one-half of the utility’s 1996 peak demand available for net-metered systems is reserved for systems generating electricity using renewables.
Disbursements:

**Renewable Energy Grant** – using revenues generated from the sales of Green Tags, Bonneville Environmental Foundation (BEF), a not-for-profit organization, accepts proposals for funding for renewable energy projects located in the Pacific Northwest. Projects that generate electricity are preferred. Acceptable projects include solar photovoltaics, solar thermal electric, wind, hydro, biomass and animal waste-to-energy. If a BEF grant is requested for a generating project, the BEF share will not exceed 33% of total capital costs and 0% of operating costs.

**Sustainable Natural Alternative Power Program** - created in October 2004 and modeled after the successful Chelan County Public Utility District program in Washington, Okanogan County PUD’s SNAP with net metering program encourages members to install renewable energy generators and connect them to their utility’s electrical distribution system by offering an incentive payment based on the system’s production on a $/kWh basis. The amount paid by the utility to its renewable energy producers depends on the total amount contributed by OKPUD purchasers through their green pricing program (maximum payment is $1.00/kWh). The production payment is in addition to any net metering credit the producer may receive from the utility.

**Alternative Fuel Grant and Loan Program** – The Program awards low-interest loans and grants through a competitive application process. Eligible projects include: research and development of new and renewable energy and biofuel sources, including biomass, solar, and wind power; renewable energy and alternative fuel infrastructure, facilities, and technologies; and research and development to develop markets for alternative fuel byproducts. Construction of new alternative fueling facilities as well as upgrades and expansion of existing fueling infrastructure offered to the public are eligible for funding of up to $50,000 per fueling infrastructure project.

Cost-Share and Grants:

Government Services: