

SPECIAL NOTICE

June 16, 2005

For further information contact:

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Tax Incentives for the Production of Solar, Methane and Wind Power

Substitute Senate Bill (SSB) 5101, Chapter 300, Laws of 2005, creates a tax incentive to support certain renewable energy sources within this state **effective July 1, 2005**.

Individuals, businesses, and local government entities that are not in the light and power business or gas distribution business will be able to apply to their light and power provider for payments up to \$2,000 for the generation of electricity by a qualified renewable energy system. Light and power businesses participating in the program will be able to offset amounts paid to customers by taking a credit against their public utility tax liability.

What are the definitions I need to know?

“Customer-generated electricity” – alternating current electricity is generated from a renewable energy system located on an individual’s, businesses’, or local government’s real property. A system located on a leasehold interest does not qualify under this definition.

“Renewable energy system” – a solar energy system, an anaerobic digester as defined in RCW 82.08.900, or a wind generator used for producing electricity.

“Solar energy system” – any device or combination of devices or elements that relies upon direct sunlight as an energy source for use in the generation of electricity.

Who qualifies for this incentive program?

Individuals, businesses, and local government entities not in the light and power business or gas distribution business qualify for the cost recovery incentive program. Participants must generate electricity on their own property with an anaerobic digester or a wind or solar energy system and apply to their light and power company for a cost recovery incentive payment.

How do I apply for the program?

Step 1: Interested persons should contact their light and power company and find out if the company will be participating in the program. Light and power companies are not required to participate.

Step 2: First-time applicants must submit to the Department of Revenue and the Climate and Rural Energy Development Center at Washington State University a certification form providing:

- ◆ Information that the electricity is generated by a renewable energy system and meets the definition of “customer-generated electricity”;
- ◆ Location of the renewable energy system;
- ◆ Information on where equipment used was manufactured;
- ◆ Verification that the electricity can be transformed or transmitted for entry into or operation in parallel with electricity transmission and distribution systems; and

- ◆ Date that the renewable energy system received its final electrical permit from the applicable local jurisdiction.

Certification forms are available on the Department’s web site at <http://dor.wa.gov>.

Step 3: Applicants will be notified in writing within 30 days whether their renewable energy system qualifies for the incentive program.

Once I’m certified, how do I apply for an incentive payment?

Once the certification process is complete, an application must be submitted to the light and power business by August 1 of each year. The application must include the applicant’s tax registration number (if applicable) and a statement of the amount of kilowatt-hours generated by the renewable energy system in the prior fiscal year. The light and power company will notify the applicant within 60 days on whether the incentive payment is authorized or denied.

What are the incentive payment rates?

The investment cost recovery incentive equals \$0.15 per economic development kilowatt-hour multiplied by the following rates:

Customer-generated Power	Rate
Solar modules manufactured in Washington state	2.4 (two and four-tenths)
Solar or wind generating equipment with an inverter manufactured in Washington state	1.2 (one and two-tenths)
Anaerobic digester or other solar equipment or wind generator equipped with blades manufactured in Washington	1.0 (one)
All other electricity produced by wind	0.8 (eight-tenths)

What are the limitations?

- ◆ Interested persons that are interconnected to the electric distribution grid may not apply to their light and power business for incentive payments until light and power businesses serving 80 percent of the total customer load in the state adopt uniform standards for interconnection to the electric distribution system.
- ◆ Incentive payments are limited to \$2,000 per year per individual, business, or local government.
- ◆ The credit taken by light and power companies against their power distribution public utility tax liability is limited to 0.25 percent of taxable power sales or \$25,000, whichever is greater.
- ◆ The credit taken by power companies may not exceed the tax due.
- ◆ Refunds shall not be granted in place of credits.
- ◆ Amounts paid in one fiscal year and not taken as a credit cannot be carried over to the next year and taken as a credit.
- ◆ If requests for the investment cost recovery incentive payments exceed the amount of funds available for credit to the participating light and power business, the incentive payments shall be reduced proportionately for qualifying customers of that business.
- ◆ No incentive will be paid for kilowatt-hours generated before July 1, 2005, or after June 30, 2014.

Where can I get more information?

For more information, contact the Department’s Telephone Information Center at 1-800-647-7706.

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