



Special Notice

WASHINGTON STATE DEPARTMENT OF REVENUE

JULY 31, 2009

Solar Energy Systems and Semiconductor Incentives

ESSB 6170 Sections 501 - 503 (Chapter 469, Laws of 2009) amend the business and occupation (B&O) tax rate for manufacturers, manufacturers that sell their product at wholesale, and processors for hire of solar energy systems and specified components of solar energy systems. These sections also expand the sales and use tax exemptions on purchases of gas and chemicals used in manufacturing "semiconductor materials."

1. B&O tax rate

Beginning October 1, 2009, the bill amends RCW 82.04.294 reducing the B&O tax rate from 0.2904 percent to 0.275 percent on:

- Manufacturing solar energy systems using photovoltaic modules;
- Manufacturing solar grade silicon, silicon solar wafers, silicon solar cells, thin film solar devices, or compound semiconductor solar wafers to be used exclusively in components of solar energy systems using photovoltaic modules;
- Wholesale sales of solar energy systems using photovoltaic modules manufactured by the seller; and
- Wholesale sales of solar grade silicon, silicon solar wafers, and silicon solar cells, thin film solar devices, or compound semiconductor solar wafers, manufactured by the seller, to be used exclusively in components of solar energy systems using photovoltaic modules.

The lower B&O tax rate expires June 30, 2014.

Annual Reporting Requirements

In order to qualify for the lower B&O tax rate, the taxpayer must file an Annual Report with the Department by April 30 following the year in which the lower rate was claimed. For more information about the annual reporting see RCW 83.32.620.

2. Sales/Use Tax Exemption on Purchases of Gas and Chemicals

Beginning July 1, 2009, the sales and use tax exemptions provided by RCW 82.08.09651 and RCW 82.12.9651 on purchases of gases and chemicals used in the production of "semiconductor materials" are expanded to include gases and chemicals used in producing:

- Silicon solar wafers
- Silicon solar cells
- Thin film solar devices
- Compound semiconductor solar wafers

The tax exemptions are limited to gases and chemicals used by a manufacturer or processor for hire in the production of semiconductor materials in the following activities:

- in the production process to grow the product,
- to deposit or grow permanent or sacrificial layers on the product,
- to etch or remove material from the product,

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- to anneal the product,
- to immerse the product,
- to clean the product,
- for other such uses whereby the gases and chemicals come into direct contact with the product during the production process, or
- to clean the chambers and other like equipment in which such processing takes place.

These exemptions expire December 1, 2018.

Exemption Certificate Needed

Persons claiming the sales tax exemption must provide the seller with a properly completed *Buyer's Retail Sales Tax Exemption Certificate* ("Certificate"). The Certificate includes a specific space to claim this exemption. Alternatively, persons claiming this sales tax exemption may submit a properly completed *Streamlined Sales and Use Tax Agreement Exemption Certificate*. Both certificates are available on our web site at <http://dor.wa.gov> under "Get a form or publication."

Annual Reporting and Electronic Filing Requirements

Persons claiming these sales or use tax exemptions must electronically file an Annual Report with the Department by April 30 of the year following the year the exemption was claimed. In addition, persons claiming the exemptions must file all "returns," as defined in RCW 82.32.050, electronically with the Department. See RCW 82.32.5351 and RCW 82.32.600 for more information about the annual reporting requirements.

Definitions

Beginning October 1, 2009, silicon solar wafers, silicon solar cells, thin film solar devices, or compound semiconductor solar wafers are "semiconductor materials" for the purposes of RCW 82.08.9651 and 82.12.9651.

"Compound semiconductor solar wafers" means a semiconductor solar wafer composed of elements from two or more different groups of the periodic table.

"Module" means the smallest nondivisible self-contained physical structure housing interconnected photovoltaic cells that provides a single direct current electrical output.

"Photovoltaic cell" means a device that converts light directly into electricity without moving parts.

"Silicon solar cells" means a photovoltaic cell manufactured from a silicon solar wafer.

"Silicon solar wafers" means a silicon wafer manufactured for solar conversion purposes.

"Solar energy system" means any device or combination of devices or elements that rely upon direct sunlight as an energy source for use in the generation of electricity.

"Solar grade silicon" means high-purity silicon used exclusively in components of solar energy systems using photovoltaic modules to capture direct sunlight. It does not include silicon used in semiconductors.

"Thin film solar devices" means a nonparticipating substrate on which various semiconducting materials are deposited to produce a photovoltaic cell that is used to generate electricity.

Where can I get more information?

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