



# Special Notice

WASHINGTON STATE DEPARTMENT OF REVENUE

SEPTEMBER 24, 2013

## **Sales/Use Tax Exemption on Purchases of Renewable Energy Systems Extended; Thermal Heat Systems Added; Annual Tax Incentive Survey Required for Refund Applicants**

The sales and use tax exemption for solar systems that produce 10 kilowatts of power or less was extended to June 30, 2018. In addition, the exemption was amended to include systems using thermal heat to produce not more than 3 million BTU's per day.

The sales and use tax refund program for qualified renewable energy systems that produce at least 1 kilowatt of power and solar systems over 10 kilowatts was extended to January 1, 2020.

In addition, persons claiming this refund must file a completed Annual Tax Incentive Survey with the Department of Revenue for each facility at which the qualifying machinery and equipment is installed.

### **Solar systems that are 10kW or less**

[RCW 82.08.963](#) and [82.12.963](#) provide a 100 percent sales and use tax exemption on purchases of machinery and equipment used directly in a solar energy system capable of generating 10kW of electricity or less. Installation charges are also exempt. Both state and local sales tax are included in the exemptions. These exemptions are extended to **June 30, 2018**.

To document the exemption at the time of sale, the buyer must provide the seller (and installer, if different from the seller), a completed [Buyer's Retail Sales Tax Exemption Certificate](#) with box 6a checked. The seller/installer must keep the completed form in their records for up to 5 years.

#### *Note for Sellers that E-file:*

The Department has added a deduction line called Sales of Solar Machinery/Equipment; Install Labor on the retail sales tax deduction page of E-file. Previously, sellers listed the exemption on the deduction detail under "Other" and wrote in the explanation.

### **Solar systems that are over 10kW**

[RCW 82.08.962](#) and [82.12.962](#) provide a 75 percent refund of the sales and use tax paid on solar energy systems capable of generating more than 10kW of electricity. The buyer pays the total amount of tax due on the purchase of the machinery, equipment, and installation. The buyer may then apply to the Department of Revenue for a refund of 75 percent of the state and local sales taxes paid.

Buyers applying for a refund are required to complete and submit an annual tax incentive survey by April 30th, following the year in which the refund was claimed. For more information, see *Requirements for a refund of taxes paid* on page 3.

The refund program has been extended to **January 1, 2020**.

## Qualified renewable energy systems 1kW and greater

[RCW 82.08.962](#) and [82.12.962](#) provide a 75 percent refund of sales and use tax paid on machinery and equipment used directly in renewable energy systems that generate at least 1kW of electricity that use one of the qualified power sources listed below.

Beginning July 1, 2011, buyers must pay the total amount of the sales tax due on the purchase of qualifying machinery/equipment and installation charges. The buyer may then apply to the Department of Revenue for a refund of 75 percent of the state and local sales taxes paid.

Buyers applying for a refund are required to complete and submit an annual tax incentive survey by April 30th, following the year in which the refund was claimed. For more information, see *Requirements for a refund of taxes paid* on page 3.

The refund program has been extended to **January 1, 2020**.

Qualified power sources include:

- fuel cells
- wind
- biomass energy
- tidal or wave energy
- geothermal resources
- anaerobic digestion
- technology that converts otherwise lost energy from exhaust
- landfill gas

## Thermal heat systems

[RCW 82.08.963](#) and [82.12.963](#) were expanded to include a 100 percent sales and use tax exemption on purchases of machinery and equipment used directly in producing thermal heat using solar energy. The labor charges to install the qualified equipment are also exempt, if the buyer installs a system capable of producing no more than 3 million BTU per day. These exemptions are effective **July 1, 2013, through June 30, 2018**.

Machinery and equipment is “used directly” in producing thermal heat with solar energy if it uses a solar collector or a solar hot water system that:

- (i) meets the certification standards for solar collectors and solar hot water systems developed by the solar rating and certification corporation; or
- (ii) is determined by the Washington State University extension whether a solar collector or solar hot water system is an equivalent collector or system.

To document the exemption at the time of sale, the buyer must provide the seller (and installer if different from the seller) a completed [Buyer's Retail Sales Tax Exemption Certificate](#) with box 6b checked. The seller/installer must keep the completed form in their records for up to 5 years.

*Note for Sellers that E-file:*

The Department has added a deduction line called Sales of Solar Machinery/Equipment; Install Labor on the retail sales tax deduction page of E-file.

## Requirements for a refund of taxes paid

### Complete application form

The [Application for Sales Tax Refund on Purchases & Installation of Qualified Renewable Energy Equipment](#) is available through our website at [dor.wa.gov](http://dor.wa.gov) under Get a form or publication. The application must be completed in full and mailed to the address provided.

The purchaser must provide records that will allow the Department to determine whether the purchaser is entitled to a refund. The records include:

- invoices
- proof of tax paid
- documents describing the machinery and equipment
- electrical capacity of the system

### File annual tax incentive survey

Note to small system owners: The Department is looking at ways to reduce the annual tax incentive survey filing burden for owners of smaller systems and will provide further guidance regarding this issue.

RCW 82.08.962 and 82.12.962 were also amended to require any person claiming a 75 percent refund to electronically file an Annual Tax Incentive Survey with the Department each year, effective July 1, 2013. This applies to buyers of solar systems over 10kW and other qualified renewable energy systems 1kW and larger.

The laws require the buyer to file a separate survey for each system owned or operated in Washington. The annual survey is due May 31, following the year in which the refund was claimed.

### For further information

For additional information, see [ESSB 5882](#), sections 15 and 16 (Chapter 13, 2013 Laws, 2nd Special Session).

Also visit our [Tax Incentives](#) page under Renewable Energy/Green Incentives.