

Special Notice

Intended audience: sellers and installers of solar and renewable energy systems, consumers

July 23, 2019

Sales and use tax exemption on purchases of certain solar and other renewable energy systems

The sales and use tax exemption has been modified and extended for certain solar and other renewable energy systems purchased or installed after Jan. 1, 2020. The exemption expires Jan. 1, 2030.

[Engrossed Second Substitute Senate Bill \(E2SSB\) 5116](#) provides a partial refund of the sales and use tax paid on machinery and equipment, and labor and services related to their installation, for the following categories of renewable energy systems.

Category one:

- Renewable energy systems capable of generating at least 1kW of electricity using any of the following as the principal source of power:
 - Fuel cells.
 - Wind.
 - Biomass energy.
 - Tidal or wave energy.
 - Geothermal resources.
 - Technology that converts otherwise lost energy from exhaust.
- Solar energy systems capable of generating more than 500 kW AC of electricity.

Category two:

- Solar energy systems capable of generating more than 100 kW, but no more than 500 kW, AC of electricity.

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Category one: renewable energy systems capable of generating at least 1 kW of electricity

Sellers/installers must collect the retail sales tax

The buyer is required to pay the total amount of tax due on the purchase of the machinery, equipment, and installation to sellers at the time of purchase. The buyer may then apply to the department for a refund of 50%, 75%, or 100% of the state and local sales tax paid.

Certification requirements

To qualify for a refund of 50% of the retail sales or use tax, the [Department of Labor and Industries \(L&I\)](#) must certify that the project includes the following standards:

- Procurement from and contracts with women, minority, or veteran-owned businesses.
- Procurement from and contracts with entities having a history of compliance with federal and state wage and hour laws and regulations.
- Apprenticeship utilization.
- Preferred entry for workers living in the area of the project construction.

If the project is built without one or more of these standards, L&I may certify that the project developer complied with the standard if the project developer or designated principal contractor demonstrates it made a good faith effort to comply with the standard, but was unable to due to the lack of availability of qualified businesses or local hires.

To qualify for a refund of 75% of the retail sales or use tax, L&I must certify all of the following:

- The project complies with the above requirements.
- The buyer provided documentation to the Department of Revenue showing that the seller or installer has:
 - A certificate of registration with L&I as a contractor.
 - A current state unified business identifier.
 - Proof of industrial insurance coverage.
 - An Employment Security Department number.
 - A state excise tax registration number.
 - Documentation of the contractor's history of compliance with federal and state wage and hours laws regulations in the past 24 months.
- The project compensates workers at prevailing wage rates determined by local collective bargaining.

To qualify for a refund of 100% of the retail sales or use tax, L&I must certify that the project is developed under a community workforce or project labor agreement.

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Category two: solar energy systems capable of generating more than 100 kW, but no more than 500 kW, AC of electricity

Sellers/installers must collect the retail sales tax

The buyer is required to pay the total amount of tax due on the purchase of the machinery, equipment, and installation. The buyer may then apply to the department for a refund of 50% of the sales or use tax paid.

Certification requirements

To qualify for the exemption for 50% of the sales or use tax, [L&I](#) must certify that the project includes the following standards:

- Procurement from and contracts with women, minority or veteran owned businesses.
- Procurement from and contracts with entities having a history of compliance with federal and state wage and hour laws and regulations.
- Apprenticeship utilization.
- Preferred entry for workers living in the area of the project construction.

Additionally, the buyer must secure documentation showing that the seller or installer has:

- A certificate of registration with L&I as a contractor.
- A current state unified business identifier.
- Proof of industrial insurance coverage.
- An Employment Security Department number.
- A state excise tax registration number.
- Documentation of the contractor's history of compliance with federal and state wage and hours laws regulations in the past twenty-four months.

Refund request process

The **Application for Sales Tax Refund on Purchases & Installation of Qualified Renewable Energy Equipment** is available through our website at 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.

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- A copy of the seller's/installer's documentation as applicable and listed above.

Questions

- See [E2SSB 5116](#), sections 18 and 19 (Chapter 288, Laws of 2019).
- Visit our Tax Incentives page under **Renewable Energy/Green Incentives**.
- For questions regarding the labor requirements and certification process, please contact the Department of Labor and Industries at rules@lni.wa.gov.

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