

# SENATE BILL REPORT

## SB 5008

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As Passed Senate, April 11, 2021

**Title:** An act relating to extending the business and occupation tax exemption for amounts received as credits against contracts with or funds provided by the Bonneville power administration and used for low-income ratepayer assistance and weatherization.

**Brief Description:** Extending the business and occupation tax exemption for amounts received as credits against contracts with or funds provided by the Bonneville power administration and used for low-income ratepayer assistance and weatherization.

**Sponsors:** Senators Robinson, Short, Brown, Hasegawa and Wilson, C..

**Brief History:**

**Committee Activity:** Environment, Energy & Technology: 1/13/21, 1/21/21 [DP-WM, DNP].

Ways & Means: 3/11/21, 3/18/21 [DP, w/oRec].

**Floor Activity:** Passed Senate: 4/11/21, 47-1.

**Brief Summary of Bill**

- Reinstates the business and occupation tax exemption for energy conservation and demand-side management credits and funding from the Bonneville Power Administration, if the tax savings are used for low-income ratepayer assistance and weatherization.
- Expires the new exemption on January 1, 2031.

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**SENATE COMMITTEE ON ENVIRONMENT, ENERGY & TECHNOLOGY**

**Majority Report:** Do pass and be referred to Committee on Ways & Means.

Signed by Senators Carlyle, Chair; Lovelett, Vice Chair; Brown, Das, Fortunato, Hobbs, Liias, Nguyen, Sheldon, Short, Stanford and Wellman.

**Minority Report:** Do not pass.

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*This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not part of the legislation nor does it constitute a statement of legislative intent.*

Signed by Senator Ericksen, Ranking Member.

**Staff:** Kimberly Cushing (786-7421)

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## SENATE COMMITTEE ON WAYS & MEANS

**Majority Report:** Do pass.

Signed by Senators Rolfes, Chair; Robinson, Vice Chair, Operating & Revenue; Wilson, L., Ranking Member; Brown, Assistant Ranking Member, Operating; Honeyford, Assistant Ranking Member, Capital; Schoesler, Assistant Ranking Member, Capital; Braun, Carlyle, Conway, Darneille, Dhingra, Gildon, Hasegawa, Hunt, Keiser, Liias, Mullet, Muzzall, Pedersen, Rivers, Van De Wege, Wagoner, Warnick and Wellman.

**Minority Report:** That it be referred without recommendation.

Signed by Senator Frockt, Vice Chair, Capital.

**Staff:** Jeffrey Mitchell (786-7438)

**Background:** Bonneville Power Administration. The Bonneville Power Administration (BPA) is a federal nonprofit agency that markets wholesale electrical power from 31 federal hydroelectric projects in the Columbia River Basin, one nonfederal nuclear plant, and several other small nonfederal power plants. The United States Army Corps of Engineers and the Bureau of Reclamation operate the dams. Just over one-fourth of the electric power used in the Northwest comes from BPA. BPA also operates and maintains approximately three-fourths of the high-voltage transmission in its service territory, which includes the states of Washington, Oregon, and Idaho, as well as parts of Montana, California, Nevada, Utah, and Wyoming.

BPA provides credits and funding for the costs of some or all utility energy savings through various mechanisms under specific power contracts. Legislation was passed in 2010 creating an exemption for credits or funds received by utility customers of BPA for implementing energy conservation or demand-side management programs. This exemption expired on June 30, 2015.

Business and Occupation Tax. The Business and Occupation (B&O) tax is imposed on the gross receipts, income, or sales of a business operating in Washington. The tax rate varies depending on the classification of the business activity.

**Summary of Bill:** Business and Occupation Tax Exemption. Credits or funds provided by BPA for implementing energy conservation programs or demand-side management programs are exempt from B&O tax, provided that the tax savings are used for low-income ratepayer assistance or weatherization.

The funds generated for low-income ratepayer assistance and weatherization under this

subsection must be additive to and not supplant existing funds used for this purpose. The B&O tax exemption expires January 1, 2031.

Joint Legislative Audit and Review Committee. For Washington utilities with BPA power contracts, the Joint Legislative Audit and Review Committee must evaluate (1) the average annual investment in energy conservation projects, and (2) the average additional funds from the tax savings resulting from this exemption, dedicated to low-income ratepayer assistance and weatherization.

**Appropriation:** None.

**Fiscal Note:** Available.

**Creates Committee/Commission/Task Force that includes Legislative members:** No.

**Effective Date:** The bill contains an emergency clause and takes effect immediately.

**Staff Summary of Public Testimony (Environment, Energy & Technology):** PRO: The committee has seen this bill before and it had strong support. It was vetoed after last session as part of a group of tax-related bills because of uncertainty regarding COVID-19. Ironically, we are seeing a doubling of need in low-income taxpayer needs and it could get worse with winter months. This is another way to help low-income customers during COVID-19 and make utility assistance funds go farther and benefit more customers.

**Persons Testifying (Environment, Energy & Technology):** PRO: Senator June Robinson, Prime Sponsor; Clark McIsaac, Snohomish County PUD.

**Persons Signed In To Testify But Not Testifying (Environment, Energy & Technology):** PRO: Troy Berglund, Benton Rural Electric Association; Bill Clarke, Washington PUD Association.

**Staff Summary of Public Testimony (Ways & Means):** PRO: This bill was previously enacted but vetoed due to the uncertainty regarding the pandemic. The BPA is obligated to provide conservation funds to utilities, typically through a credit. There was a revenue ruling a number of years ago where these credits were considered income. This bill clarifies that this type of credit is not income. This bill supports energy conservation, low-income assistance, and tax fairness. Cowlitz public utility district is a large recipient of BPA's conservation credit. We have leveraged investments from our customers with the credit to achieve substantial energy savings across industrial, residential and commercial sectors. These funds will allow us to supplement low-income energy efficiency projects and bolster ratepayer assistance programs.

**Persons Testifying (Ways & Means):** PRO: Senator June Robinson, Prime Sponsor; Bill Clarke, Washington PUD Association; Steve Taylor, Cowlitz PUD.

**Persons Signed In To Testify But Not Testifying (Ways & Means):** No one.