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**SUBSTITUTE HOUSE BILL 1921**

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**State of Washington 67th Legislature 2022 Regular Session**

**By** House Finance (originally sponsored by Representatives Ramel, Boehnke, Fitzgibbon, Shewmake, Kloba, and Young)

AN ACT Relating to the valuation of property related to renewable energy for the purposes of property tax and providing for a payment in lieu of taxes for renewable energy facilities; adding a new section to chapter 84.04 RCW; adding a new section to chapter 84.40 RCW; adding a new section to chapter 84.36 RCW; adding a new section to chapter 84.12 RCW; and creating new sections.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

NEW SECTION. **Sec.**  A new section is added to chapter 84.04 RCW to read as follows:

(1) "Renewable energy property" means property, not including real property, placed in service after the effective date of this section that uses solar or wind energy as the sole fuel source for the generation of at least one megawatt of nameplate capacity, alternating current, and all other equipment and materials that comprise the property, including equipment used to store electricity from the property to be released at a later time. "Renewable energy property" does not include any equipment or materials attached to a single-family residential building.

(2) "Renewable energy property owner" means the owner or person in possession or control of a renewable energy property.

NEW SECTION. **Sec.**  A new section is added to chapter 84.40 RCW to read as follows:

(1) It is the policy of this state to promote the development of renewable energy projects to support the state's renewable energy goals.

(2) The department must publish guidance, in cooperation with industry stakeholders, to develop industry-specific tables for each type of renewable energy property and a cost-based appraisal model within 90 days of the effective date of this section to advise county assessors when appraising renewable energy facilities.

NEW SECTION. **Sec.**  A new section is added to chapter 84.36 RCW to read as follows:

(1)(a) The value of renewable energy property qualifying under this section is exempt from ad valorem taxation if, upon application by the owner of renewable energy property located within the county and outside the boundaries of any incorporated city that is filed before the date when the property is placed in service, the governing body of a county and the renewable energy property owner enter into an agreement providing for payment in lieu of ad valorem taxes as set forth in this section. An agreement may not be entered into for an initial period of longer than 10 consecutive tax years, starting from the commencement of construction. An agreement may be renewed at the end of the 10-year period upon the mutual consent of the parties to the agreement.

(b) If any portion of a renewable energy property is located within the boundaries of an incorporated city, the governing body of the county shall consult with the governing body of the city before entering into an agreement under (a) of this subsection. An agreement entered into under (a) of this subsection with respect to a renewable energy property located within the boundaries of the incorporated city is not effective unless the governing body of the incorporated city is a party to the agreement.

(2)(a) The agreement under subsection (1) of this section must require the renewable energy property owner to pay an annual payment to the county in an amount that must be computed at a rate that is based on the per megawatt nameplate capacity, alternating current of the renewable energy property, plus an additional per megawatt-hour surcharge for any energy storage device that is part of the renewable energy property. The rate and surcharge agreed to must be within the maximum and minimum amounts established under subsection (3) of this section.

(b) For the period during which construction on the renewable energy property occurs, an agreement under subsection (1) of this section may include a different payment amount from the payment amount established under (a) of this subsection. The payments must begin in the first year that a property tax would otherwise be owed. Reduced payments may be allowed during the period of construction on a prorated schedule agreed to by the parties of the agreement.

(3) The department shall establish the minimum and maximum allowable amounts of the rate and surcharge under subsection (2) of this section. In developing the allowable amounts as described in this subsection, the department must:

(a) Survey similar project types for which a cost-based appraisal method was used;

(b) Base the rate on the per megawatt of nameplate capacity, alternating current of the renewable energy property; and

(c) Establish a reasonable cost range for each project type that is based on a cost-based appraisal method.

(4) The county treasurer shall distribute all amounts received under subsection (2) of this section to all property tax districts in appropriate tax code areas in the same proportion as it would distribute property taxes from taxable property.

(5)(a) A renewable energy property that has entered into an agreement pursuant to subsection (1) of this section must:

(i) On or before the date required for filing the list of personal property pursuant to RCW 84.40.040 of the first assessment year applicable to the renewable energy property, file the required listing and also file with the department and with the assessor of the county in which the renewable energy property is located a copy of the agreement and the nameplate capacity of the renewable energy property. Assessment of exempt property pursuant to RCW 84.40.175 may not be suspended on account of any agreement or exemption described in this section.

(ii) For each subsequent assessment year preceding a tax year to which the agreement relates, include with the statement required pursuant to RCW 84.12.230, if applicable, or RCW 84.40.040, the nameplate capacity of the renewable energy property.

(b) A filing made under (a)(i) or (ii) of this subsection after on or before the date specified in RCW 84.40.040 is subject to penalties pursuant to RCW 84.40.130.

(6) The payment in lieu of taxes imposed pursuant to this section is due in full on April 30th of each tax year subject to an agreement. Except as provided in subsection (7) of this section, property for which payment in lieu of taxes are not paid as required under this section are not exempt for the tax year immediately following nonpayment.

(7) Property is exempt for the following tax year upon payment, by October 31st of the current tax year, of the delinquent payment in lieu of taxes plus any penalties and interest imposed pursuant to RCW 84.56.020. Delinquent payments, interest, and penalties must be collected in the manner provided for the collection of delinquent taxes on personal property.

(8) The exemption granted under this section for renewable energy property is assignable upon the sale or transfer of the renewable energy property.

NEW SECTION. **Sec.**  A new section is added to chapter 84.12 RCW to read as follows:

(1) For the purpose of determining the system value of the operating property of any electric light and power company, following the deduction made pursuant to RCW 84.12.310, the department shall in addition deduct from the true and fair value of the total assets of such company, the value of all renewable energy property owned by such company and located within this state that constitutes a part of the company's operating property. The valuation methods for determination of the system value under RCW 84.12.300 applies to the remaining operating property of such company.

(2) In apportioning the value of the operating property of light and power companies to this state pursuant to RCW 84.12.300, the department shall first attribute to this state the value of renewable energy property subject to the deduction in subsection (1) of this section and shall second apportion the system value of remaining operating property as provided in RCW 84.12.300.

(3) In apportioning the value of the operating property of light and power companies among the counties pursuant to RCW 84.12.360(2), the department shall first attribute to each county the value of all renewable energy property owned by such company and located in such county and shall second allocate the remaining value of such company's operating property as provided in RCW 84.12.360.

NEW SECTION. **Sec.**  RCW 82.32.805 and 82.32.808 do not apply to this act.

NEW SECTION. **Sec.**  This act applies to taxes levied for collection in 2024 and thereafter.

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