S-5089.2

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**SUBSTITUTE SENATE BILL 6303**

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**State of Washington 68th Legislature 2024 Regular Session**

**By** Senate Ways & Means (originally sponsored by Senators Nguyen, Boehnke, and Kuderer)

AN ACT Relating to providing a preferential business and occupation tax rate to encourage energy storage system and component parts manufacturing in Washington; adding a new section to chapter 82.04 RCW; and creating new sections.

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

NEW SECTION. **Sec.**  It is the intent of the legislature to advance Washington state as a national and worldwide leader in clean energy technology. The legislature recognizes that the state has a unique opportunity to attract manufacturers of energy storage systems and component parts. By providing tax preferences to attract energy storage systems manufacturers to Washington state, this policy supports the production of energy storage systems, which will play an integral role in achieving the state's bold goals for decarbonization. This policy creates a competitive economic environment to produce clean energy, increases Washington state's sustainable energy workforce through creating lasting family-wage jobs in the clean energy sector, and further solidifies Washington state as the gold standard for clean energy policy.

NEW SECTION. **Sec.**  A new section is added to chapter 82.04 RCW to read as follows:

(1) Beginning July 1, 2025, until June 30, 2040, upon every person engaging within this state in the business of making sales at retail or wholesale of energy storage systems, component parts used in the manufacture of energy storage systems, or both, the amount of tax on such business is equal to the gross proceeds of sales of the product manufactured, multiplied by the rate of 0.275 percent.

(2) Beginning July 1, 2025, until June 30, 2040, upon every person engaging within this state in the business of manufacturing energy storage systems, component parts used in the manufacture of energy storage systems, or both, the amount of tax on such business is equal to the value of the products manufactured, multiplied by the rate of 0.275 percent.

(3) Beginning July 1, 2025, until June 30, 2040, upon every person engaging within this state as a processor for hire of energy storage systems, component parts used in the manufacture of energy storage systems, or both, the amount of tax on such business is equal to the gross income of the business, multiplied by the rate of 0.275 percent.

(4) A person reporting under the tax rate provided in this section must electronically file with the department all returns, forms, and other information the department requires in an electronic format as provided or approved by the department. Any return, form, or information required to be filed in an electronic format under this section is not filed until received by the department in an electronic format. As used in this subsection, "returns" has the same meaning as "return" in RCW 82.32.050.

(5) A person reporting under the tax rate provided in this section must file a complete annual tax performance report with the department under RCW 82.32.534.

(6) For the purposes of this section, the following definitions apply.

(a) "Energy storage system" means a device or group of devices assembled together, capable of storing energy in order to supply electrical energy at a later time. Energy storage systems include the following categories:

(i) Mechanical systems, including pumped hydro energy storage, gravity storage technologies, compressed air energy storage, and flywheels;

(ii) Electromechanical systems, including all formulations of lead acid, lithium ion, flow, high temperature, and zinc batteries;

(iii) Thermal systems, including molten salt, chilled water, latent-ice, phase change materials, and thermochemicals;

(iv) Electrical systems, including super capacitors and superconducting magnetic energy storage systems; and

(v) Green electrolytic hydrogen, including the production, sale, and distribution of green electrolytic hydrogen for use in grid stabilizing activities such as power peaking operations.

(b) "Component parts used in the manufacture of energy storage systems" means major components of energy storage systems including, but not limited to, cathodes, anodes, separators, membranes, electrolytes, battery modules and packs, battery management systems, silane and other industrial gases, and mechanical devices integral to the operation of energy storage systems.

NEW SECTION. **Sec.**  RCW 82.32.808 does not apply to section 2 of this act.

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