
**Technology & Economic Development
Committee**

HB 1330

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.

Sponsors: Representatives Manweller, Tarleton, Fey and Young.

Brief Summary of Bill

- Reinstates the business and occupation (B&O) tax exemption for power conservation and demand management credits and funding from the Bonneville Power Administration (BPA), if the amounts are used for low-income ratepayer assistance.
- Expires certain utility, electrical energy, and natural or manufactured gas B&O tax exemptions on January 1, 2028.
- Adds a tax preference statement, provides an effective date, and declares an emergency.

Hearing Date: 1/26/17

Staff: Lily Smith (786-7175).

Background:

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 dams are operated by the United States Army Corps of Engineers and the Bureau of Reclamation. About one-third of the electric power used in the Northwest comes from the BPA.

Under the federal Northwest Power Act, consumer-owned utilities have preference and priority in purchasing power from the BPA. Investor-owned utilities can purchase power from the BPA

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

under certain conditions. The BPA provides credits and funding for the costs of some or all utility energy savings through various mechanisms under specific power contracts.

Washington's major business tax is the business & occupation (B&O) tax. The B&O tax is imposed on the gross receipts of business activities conducted within the state, without any deduction for the costs of doing business. Businesses must pay B&O tax even though they may not have any profits or may be operating at a loss. The Department of Revenue has concluded that the credits and payments received by utilities under the BPA's energy savings programs are subject to the B&O tax.

Business & occupation tax exemptions provide a dollar-for-dollar offset against tax liability. Legislation was passed in 2010 creating an exemption for credits or funds received by utility customers of the BPA for the purpose of implementing energy conservation or demand-side management programs. This exemption expired on June 30, 2015.

Consumer-owned and investor-owned utilities may provide reduced utility rates for low-income customers. According to the Low-Income Home Energy Assistance Program within the United States Department of Health and Human Services, some consumer-owned utilities and all investor-owned utilities within the state offer some type of low-income rate assistance.

Summary of Bill:

Credits against power contracts with, or funds provided by, the BPA for energy conservation programs or demand-side management programs are exempt from the B&O tax, provided that those amounts are used for low-income ratepayer assistance.

The B&O tax exemption for credits or funds provided by the BPA, as well as certain other B&O tax exemptions that apply to public utilities, electrical energy, and natural or manufactured gas, expires on January 1, 2028.

A tax preference performance statement is added. The statement does not contain metrics for the tax preference.

Appropriation: None.

Fiscal Note: Available.

Effective Date: The bill contains an emergency clause and takes effect on July 1, 2017.