

# SENATE BILL REPORT

## SB 6323

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As of January 31, 2018

**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.

**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:** Senators Hobbs and Brown.

**Brief History:**

**Committee Activity:** Energy, Environment & Technology: 1/30/18.

**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.
- Expires the new exemption on January 1, 2029.

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### SENATE COMMITTEE ON ENERGY, ENVIRONMENT & TECHNOLOGY

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

**Background:** Bonneville Power Administration (BPA). 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.

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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 a part of the legislation nor does it constitute a statement of legislative intent.*

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 the purpose of implementing energy conservation or demand-side management programs. This exemption expired on June 30, 2015.

Business and Occupation (B&O) Tax. The 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:** Credits or funds provided by BPA for the purposes of 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.

The exemption from the B&O tax expires January 1, 2029.

**Appropriation:** None.

**Fiscal Note:** Available.

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

**Effective Date:** The bill takes effect on July 1, 2018.

**Staff Summary of Public Testimony:** PRO: This exemption drives money into energy efficiency at the local level. One suggestion is to broaden the bill language for weatherization programs. This is tax fairness, because the utility is not gaining any more money. While this takes \$600,000 out of the state general fund, the state has never collected this money but for the last two years. Funds can be used to positively impact low-income communities. Many low-income areas do not have energy assistance programs.

**Persons Testifying:** PRO: Shawn Collins, Opportunity Council; Bill Clarke, Washington PUD Association.

**Persons Signed In To Testify But Not Testifying:** No one.