
SUBSTITUTE HOUSE BILL 1330

State of Washington

65th Legislature

2017 Regular Session

By House Technology & Economic Development (originally sponsored by Representatives Manweller, Tarleton, Fey, and Young)

READ FIRST TIME 02/09/17.

1 AN ACT Relating to extending the business and occupation tax
2 exemption for amounts received as credits against contracts with or
3 funds provided by the Bonneville power administration and used for
4 low-income ratepayer assistance; amending RCW 82.04.310; creating a
5 new section; providing an effective date; and declaring an emergency.

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

7 NEW SECTION. **Sec. 1.** This section is the tax preference
8 performance statement for the tax preference contained in section 2
9 of this act. This performance statement is only intended to be used
10 for subsequent evaluation of the tax preference. It is not intended
11 to create a private right of action by any party or be used to
12 determine eligibility for preferential tax treatment.

13 (1) The legislature categorizes this tax preference as one
14 intended to induce certain designated behavior by taxpayers, as
15 indicated in RCW 82.32.808(2)(a), and also to create low-income
16 ratepayer tax and utility rate relief under RCW 82.32.808(2)(e).

17 (2) The legislature's specific public policy objectives are to:

18 (a) Increase investment in energy efficiency and conservation
19 programs;

20 (b) Support efforts by utilities to acquire all cost-effective
21 energy conservation as required under state law; and

1 (c) To increase funds dedicated to low-income ratepayer
2 assistance in Washington.

3 (3) To support the objectives in subsection (2) of this section,
4 it is the legislature's intent to make permanent the exemption from
5 business and occupation tax amounts received by utilities in the form
6 of credits against power contracts or received from the Bonneville
7 power administration for energy conservation purposes, if the tax
8 savings are used by utilities for low-income ratepayer assistance
9 programs. This exemption will induce utilities to invest funds in
10 energy conservation and efficiency programs, thereby reducing the
11 amount of electric energy that such utilities must either generate or
12 purchase, thereby reducing energy costs to utilities and customers.
13 Further, state laws mandating utilities to acquire energy through
14 both energy conservation and the purchase of eligible renewable
15 resources can increase the cost of energy to ratepayers. Therefore,
16 it is the legislature's intent that this exemption from the business
17 and occupation tax apply only to the extent the tax amounts that
18 would otherwise be owed on credits or refunds from the Bonneville
19 power administration are used by a utility for low-income ratepayer
20 assistance, and that the funds generated for low-income ratepayer
21 assistance be additive to any existing funds used by the utility for
22 that purpose.

23 (4) To measure the effectiveness of the exemption provided in
24 this act in achieving the specific public policy objectives described
25 in subsection (2) of this section, the joint legislative audit and
26 review committee must, at a minimum:

27 (a) Evaluate the average annual investment in energy conservation
28 projects by Washington state utilities that have power contracts with
29 the Bonneville power administration; and

30 (b) Evaluate the average additional funds from the tax savings
31 resulting from this act that are dedicated to low-income ratepayer
32 assistance by Washington state utilities that have power contracts
33 with the Bonneville power administration.

34 **Sec. 2.** RCW 82.04.310 and 2014 c 216 s 302 are each amended to
35 read as follows:

36 (1) This chapter does not apply to any person in respect to a
37 business activity with respect to which tax liability is specifically
38 imposed under the provisions of chapter 82.16 RCW including amounts
39 derived from activities for which a deduction is allowed under RCW

1 82.16.050. The exemption in this subsection does not apply to sales
2 of natural gas, including compressed natural gas and liquefied
3 natural gas, by a gas distribution business, if such sales are exempt
4 from the tax imposed under chapter 82.16 RCW as provided in RCW
5 82.16.310.

6 (2) This chapter does not apply to amounts received by any person
7 for the sale of electrical energy for resale within or outside the
8 state.

9 (3)(a) This chapter does not apply to amounts received by any
10 person for the sale of natural or manufactured gas in a calendar year
11 if that person sells within the United States a total amount of
12 natural or manufactured gas in that calendar year that is no more
13 than twenty percent of the amount of natural or manufactured gas that
14 it consumes within the United States in the same calendar year.

15 (b) For purposes of determining whether a person has sold within
16 the United States a total amount of natural or manufactured gas in a
17 calendar year that is no more than twenty percent of the amount of
18 natural or manufactured gas that it consumes within the United States
19 in the same calendar year, the following transfers of gas are not
20 considered to be the sale of natural or manufactured gas:

21 (i) The transfer of any natural or manufactured gas as a result
22 of the acquisition of another business, through merger or otherwise;
23 or

24 (ii) The transfer of any natural or manufactured gas accomplished
25 solely to comply with federal regulatory requirements imposed on the
26 pipeline transportation of such gas when it is shipped by a third-
27 party manager of a person's pipeline transportation.

28 (4) Until January 1, 2028, this chapter does not apply to amounts
29 received by any person in the form of credits against power contracts
30 with the Bonneville power administration, or funds provided by the
31 Bonneville power administration, for the purpose of implementing
32 energy conservation programs or demand-side management programs, so
33 long as the amount that would otherwise be owed under this chapter is
34 used for purposes of low-income ratepayer assistance. The funds
35 generated for low-income ratepayer assistance under this subsection
36 must be additive to and not supplant any existing funds used by the
37 utility for low-income ratepayer assistance.

38 NEW SECTION. Sec. 3. This act is necessary for the immediate
39 preservation of the public peace, health, or safety, or support of

1 the state government and its existing public institutions, and takes
2 effect July 1, 2017.

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