

SENATE BILL REPORT

SB 6016

As of January 15, 2024

Title: An act relating to a green energy community fund to support school districts and nonprofit organizations that service the communities where renewable energy projects are located.

Brief Description: Creating a green energy community fund to support school districts and nonprofit organizations that service the communities where renewable energy projects are located.

Sponsors: Senators Shewmake, Dhingra, Nguyen, Nobles, Saldaña and Wilson, C..

Brief History:

Committee Activity: Environment, Energy & Technology: 1/16/24.

Brief Summary of Bill

- Creates a green energy community fund (fund) to support school districts and nonprofit organizations that service communities where renewable energy projects are located.
- Authorizes electric utilities operating a renewable energy project to make contributions to the fund and receive a tax credit towards certain tax obligations arising from the operation of the renewable energy project.

SENATE COMMITTEE ON ENVIRONMENT, ENERGY & TECHNOLOGY

Staff: Adam Brunmeier (786-7357)

Background: Clean Energy Transformation Act. In 2019, the Legislature passed the Clean Energy Transformation Act (CETA), which requires Washington's electric utilities to meet 100 percent of their retail electric load using nonemitting and renewable resources by January 1, 2045. CETA requires electric utilities to eliminate coal-fired resources from their

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allocation of electricity by December 31, 2025, and make all retail sales of electricity greenhouse gas neutral by January 1, 2030.

Excise Taxes. Excise taxes are a tax imposed on specific goods or activities. The Business and Occupation (B&O) tax is an excise tax on persons or entities doing business in Washington State. It is calculated by applying a specified rate to the gross income from activities of the business. The Public Utility Tax (PUT) is an excise tax on public service businesses, including those engaged in the supply of energy and natural gas. The B&O tax does not apply for those activities specifically covered by PUT, but it still applies to activities falling outside the scope of PUT.

Electric utilities generate income and incur tax obligations from the production and sale of energy from renewable energy projects. PUT and B&O are two primary sources of state tax obligations for public utilities.

Summary of Bill: Green Energy Community Account. The green energy community account (account) is created. The account may receive contributions, donations, federal funds, and legislative appropriations. Moneys in the account are to be distributed to designated school districts and nonprofits operating in communities where renewable energy projects are located.

The account is a nonappropriated account, and the state treasurer must distribute moneys deposited into the account to each designated school district or nonprofit on a quarterly basis. A school district will receive the distributed funds through a subaccount of its associated student body program fund. These funds may be used for any allowable purpose of the associated student body program fund.

Tax Credit and Contributions. An electric utility that makes approved contributions to the account will be eligible to receive a tax credit. The credit will be equal to 75 percent of the approved contribution and may not exceed \$250,000 in a calendar year for a single utility. The total credits approved for a calendar year statewide may not exceed \$5 million.

Only electric utilities operating a renewable energy project constructed after the effective date of the act and within the boundaries of a school district will be eligible. The credits may only be claimed against taxes due under PUT or B&O tax from the operation of renewable energy projects in the same calendar year as approved contributions. Renewable energy project refers to facilities that generate electricity from solar or wind or store electrical energy.

Credits may be earned for contributions made between January 1, 2025 and December 31, 2034. No refunds may be granted for the credits under this program.

An electric utility approved for a tax credit must make the total approved contribution by October 1st of the calendar year in which the credit was approved. A utility which fails to

do so forfeits all credits for the approved contribution. Forfeited credits will be made available by the Department of Revenue (DOR) for new applicants. To claim a credit, a person must file electronically with DOR all returns, forms, and other information DOR requires.

Applications. DOR will consider and approve applications from electric utilities for contributions and tax credits. Applications for the tax credit must be submitted and approved in a manner prescribed by DOR before contributions are made. Applications must be submitted between January 1st and July 1st for contributions to be made during the calendar year. Applications will be ruled on within 45 days of submission on a first-in-time basis.

The application must contain details on the renewable energy project, the intended recipient of the contribution, and other information required by DOR to determine eligibility.

Program Expiration Date. The act is not subject to the tax preference performance review requirements and the program expires January 1, 2036.

Appropriation: None.

Fiscal Note: Requested on January, 9, 2024.

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

Effective Date: Ninety days after adjournment of session in which bill is passed.