

SENATE BILL REPORT

SB 6016

As of February 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. [**Revised for 1st Substitute:** Supporting 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, 1/26/24 [DPS-WM, w/oRec].

Ways & Means: 2/15/24.

Brief Summary of First Substitute Bill

- Creates a program to support school districts and nonprofit organizations that service communities where renewable energy projects are located.
- Authorizes qualifying light and power businesses operating a renewable energy project to make contributions to school districts and nonprofit organizations and receive a tax credit towards certain tax obligations arising from the operation of the renewable energy project.

SENATE COMMITTEE ON ENVIRONMENT, ENERGY & TECHNOLOGY

Majority Report: That Substitute Senate Bill No. 6016 be substituted therefor, and the substitute bill do pass and be referred to Committee on Ways & Means.

Signed by Senators Nguyen, Chair; Lovelett, Vice Chair; MacEwen, Ranking Member;

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

Short, Trudeau and Wellman.

Minority Report: That it be referred without recommendation.
Signed by Senator Boehnke.

Staff: Adam Brunmeier (786-7357)

SENATE COMMITTEE ON WAYS & MEANS

Staff: Jeffrey Mitchell (786-7438)

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 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 (First Substitute): Green Energy Community Funds. Qualifying light and power businesses operating a renewable energy project may apply to the Department of Revenue (DOR) to make contributions to school districts and nonprofits serving the communities where the projects are located.

The recipient of a contribution must be a school district with a renewable energy project located within the boundaries of the school district or a nonprofit organization that services the community where the renewable energy project is located.

A recipient school district may receive approved contributions 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. A qualifying light and power business 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 light and power businesses 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.

A light and power business approved for a tax credit must provide proof of payment of the contribution to DOR by October 15th of the calendar year in which a contribution is made to the recipient.

A light and power business which fails to do so forfeits all credits for the approved contribution. Forfeited credits will be made available by 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 qualifying light and power businesses 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.

EFFECT OF CHANGES MADE BY ENVIRONMENT, ENERGY & TECHNOLOGY COMMITTEE (First Substitute):

- Eliminates the Green Energy Community Account and allows approved contributions to be made directly to recipients.
- Replaces the "Public Utility" language with "light and power business" to conform with existing language and definitions under Title 82.

- Creates a definition for "recipient" clarifying which schools and nonprofits may receive contributions under the program.
- Requires qualifying light and power businesses to provide proof of payment of contributions to DOR.
- Credits earned may be claimed on tax returns filed on or after January 1, 2025 instead of January 1, 2026.

Appropriation: None.

Fiscal Note: Available.

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

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

Staff Summary of Public Testimony on Original Bill (Environment, Energy & Technology): *The committee recommended a different version of the bill than what was heard.* PRO: Communities with renewable energy projects are bearing the costs and burdens without enjoying the full value of the benefits. This bill helps redirect the benefits of renewable energy projects back into the communities where they are located. Incentivizing clean energy storage and other renewable energy projects is important and this will ensure the schools in communities where such projects are located will enjoy the benefits.

Persons Testifying (Environment, Energy & Technology): PRO: Senator Sharon Shewmake, Prime Sponsor; Kate Brouns, Renewable Northwest.

Persons Signed In To Testify But Not Testifying (Environment, Energy & Technology): No one.