

# SENATE BILL REPORT

## HB 2505

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As Passed Senate, March 10, 2020

**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 and weatherization.

**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 and weatherization.

**Sponsors:** Representatives Robinson, Boehnke, Chapman, Leavitt, Orcutt, Doglio and Tharinger.

**Brief History:** Passed House: 3/07/20, 96-0.

**Committee Activity:** Ways & Means: 3/09/20 [DP].

**Floor Activity:**

Passed Senate: 3/10/20, 46-0.

### 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 and weatherization.
- Expires the new exemption on January 1, 2030.

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### SENATE COMMITTEE ON WAYS & MEANS

**Majority Report:** Do pass.

Signed by Senators Rolfes, Chair; Mullet, Capital Budget Cabinet; Braun, Ranking Member; Brown, Assistant Ranking Member, Operating; Honeyford, Assistant Ranking Member, Capital; Becker, Billig, Carlyle, Conway, Darneille, Dhingra, Hasegawa, Hunt, Keiser, Liias, Muzzall, Pedersen, Schoesler, Van De Wege, Wagoner, Warnick and Wilson, L..

**Staff:** Jeffrey Mitchell (786-7438)

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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.*

**Background:** Bonneville Power Administration. 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 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.

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

Business and Occupation Tax. The Business and Occupation (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:** Business and Occupation Tax Exemption. Credits or funds provided by BPA for implementing energy conservation programs or demand-side management programs are exempt from B&O tax, provided the tax savings are used for low-income ratepayer assistance or weatherization.

The funds generated for low-income ratepayer assistance and weatherization under this subsection must be additive to and not supplant existing funds used for this purpose. The exemption from the B&O tax expires January 1, 2030.

Joint Legislative Audit and Review Committee. For Washington utilities that have power contracts with BPA, the Joint Legislative Audit and Review Committee must evaluate the average annual investment in energy conservation projects, and the average additional funds from the tax savings resulting from this exemption that are dedicated to low-income ratepayer assistance and weatherization.

**Appropriation:** None.

**Fiscal Note:** Available.

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

**Effective Date:** The bill takes effect on July 1, 2020.

**Staff Summary of Public Testimony:** PRO: This bill reinstates a previously existing exemption. This bill supports tax fairness. The bill helps low-income ratepayers.

**Persons Testifying:** PRO: Bill Clarke, Washington PUD Association.

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