

SENATE BILL REPORT

SB 5629

As of February 4, 2019

Title: An act relating to promoting small modular reactors in Washington.

Brief Description: Promoting small modular reactors in Washington.

Sponsors: Senators Brown, Becker, Ericksen, Warnick and Palumbo.

Brief History:

Committee Activity: Environment, Energy & Technology: 2/06/19.

Brief Summary of Bill

- Includes small modular reactors (SMRs) as a clean energy technology innovation encouraged under the guiding principles of the state energy strategy.
- Exempts SMRs manufactured in Washington from business and occupation tax.
- Encourages SMRs as eligible investment projects under the revised Invest in Washington program until January 1, 2030.
- Defines SMRs.

SENATE COMMITTEE ON ENVIRONMENT, ENERGY & TECHNOLOGY

Staff: Kimberly Cushing (786-7421)

Background: Small Modular Reactor. A traditional base-load nuclear power plant generates 1000 megawatts (MW) or more of electricity, while an SMR is a nuclear power plant designed to generate 300 MW or less. An SMR is also designed to be factory-fabricated and transportable by truck or rail to a nuclear power site. The U.S. Department of Energy has a program to advance the certification and licensing of domestic SMR designs.

State Energy Strategy. Required since 1991, the state energy strategy is used to inform legislation, regulations, taxation, and other public policies. The Department of Commerce is charged with periodically reviewing the state energy strategy with the guidance of an advisory committee representing different regions and interests around the state.

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.

Guiding principles for the state energy strategy are set forth in statute, and include maintaining and enhancing economic competitiveness by ensuring an affordable and reliable supply of energy resources and by supporting clean energy technology innovation, access to clean energy markets, and clean energy business and workforce development.

Business and Occupation Tax. Washington's major business tax is the business and occupation (B&O) tax. The B&O tax is imposed on the gross receipts of business activities conducted within the state, without any deduction for the costs of doing business. Revenues are deposited in the state general fund. A business may have more than one B&O tax rate, depending on the types of activities conducted. There are a number of different rates. The main rates are 0.471 percent for retailing; 0.484 percent for manufacturing, wholesaling, and extracting; and 1.5 percent for professional and personal services, and activities not classified elsewhere.

Invest in Washington Pilot Program. In 2015, the Invest in Washington Pilot Program was established to evaluate the effectiveness of providing a tax incentive for businesses that invest in manufacturing facilities and equipment and reinvest those tax savings in employee training programs. The pilot program consists of two qualified facilities, one of which must be located in eastern Washington and one of which must be located in western Washington.

Eligible investment projects include up to \$10 million in sales and use tax on construction costs or purchases of qualified machinery and equipment. Amounts paid for constructing qualified buildings, machinery, and equipment are eligible for a sales and use tax deferral. The recipient of the deferral must begin repaying the deferred taxes five years after the date the project is operationally complete. There is no interest charged on deferred taxes, and the taxes may be repaid over a ten-year period in equal annual payments.

Deferred taxes, when repaid, are deposited in the Invest in Washington Account. The account, administered by the State Board for Community and Technical Colleges, must be used to support customized job training programs, job skills programs, job readiness training, workforce professional development, and to assist employers with state-approved apprenticeship programs for manufacturing and production occupations. The program expires January 1, 2026.

Summary of Bill: Defines Small Modular Reactors. SMRs are defined throughout the bill as scalable nuclear power plants using reactors that (1) each have a gross power output no greater than 300 MW of electricity, and (2) are designed for factory manufacturing and ease of transport.

Adds Small Modular Reactors–State Energy Strategy Principles. SMRs are added as a clean energy technology innovation encouraged under the guiding principles of the state energy strategy.

Exempts Small Modular Reactors from the Business and Occupation Tax. SMR manufacturing and the subsequent selling of the manufactured SMRs in Washington is exempt from B&O tax.

To qualify for the B&O exemption, the business must develop an apprenticeship program, training program, or workforce development program related to the business, in cooperation with any Washington State college or university.

The Legislature intends to retain or increase the number of jobs in the SMR industry in Washington. If the Joint Legislative Audit and Review Committee finds in its review that the number of jobs in the SMR industry in Washington increase by 10 percent, then the Legislature intends to extend the expiration date of the tax exemption.

Invest in Washington Pilot Program. Provisions creating the Invest in Washington Pilot Program are removed and the Invest in Washington Program is established. A sales and use tax deferral is provided on the construction and expenditure costs of any new, renovated, or expanded manufacturing facilities. The requirement to limit facilities to two per year, one in eastern Washington and one in western Washington is removed. The definition of eligible investment program is expanded to include eligible investment projects that use or produce green technologies are encouraged.

References to an annual tax preference survey are changed to refer to the combined Annual Tax Performance Report. The sales and use tax deferral expires January 1, 2030.

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.