

# SENATE BILL REPORT

## SB 5008

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As of January 13, 2021

**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:** Senators Robinson, Short, Wilson, C., Brown and Hasegawa.

**Brief History:**

**Committee Activity:** Environment, Energy & Technology: 1/13/21.

**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, 2031.

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### SENATE COMMITTEE ON ENVIRONMENT, ENERGY & TECHNOLOGY

**Staff:** Kimberly Cushing (786-7421)

**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

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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 that 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 B&O tax exemption expires January 1, 2031.

Joint Legislative Audit and Review Committee. For Washington utilities with BPA power contracts, the Joint Legislative Audit and Review Committee must evaluate (1) the average annual investment in energy conservation projects, and (2) the average additional funds from the tax savings resulting from this exemption, dedicated to low-income ratepayer assistance and weatherization.

**Appropriation:** None.

**Fiscal Note:** Requested on January 8, 2021.

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

**Effective Date:** The bill contains an emergency clause and takes effect immediately.

**Staff Summary of Public Testimony:** PRO: The committee has seen this bill before and it had strong support. It was vetoed after last session as part of a group of tax-related bills because of uncertainty regarding COVID-19. Ironically, we are seeing a doubling of need in low-income taxpayer needs and it could get worse with winter months. This is another way to help low-income customers during COVID-19 and make utility assistance funds go farther and benefit more customers.

**Persons Testifying:** PRO: Senator June Robinson, Prime Sponsor; Clark McIsaac, Snohomish County PUD.

**Persons Signed In To Testify But Not Testifying:** PRO: Troy Berglund, Benton Rural Electric Association; Bill Clarke, Washington PUD Association.