

HOUSE BILL REPORT

HB 2120

As Reported by House Committee On:
Finance

Title: An act relating to tax preferences for clean energy manufacturers.

Brief Description: Concerning tax preferences for clean energy manufacturers.

Sponsors: Representatives Barnard, Shavers, Graham and Wylie.

Brief History:

Committee Activity:

Finance: 1/25/24, 1/30/24 [DP].

Brief Summary of Bill

- Allows cities to extend the deadline for project completion for the targeted urban area property tax exemption up to a total of four years for nuclear facilities that require certification by the United States Nuclear Regulatory Commission.

HOUSE COMMITTEE ON FINANCE

Majority Report: Do pass. Signed by 13 members: Representatives Berg, Chair; Street, Vice Chair; Orcutt, Ranking Minority Member; Jacobsen, Assistant Ranking Minority Member; Barnard, Chopp, Ramel, Santos, Springer, Thai, Walen, Wilcox and Wylie.

Staff: Kristina King (786-7190).

Background:

Property Tax—Regular Levies.

All real and personal property is subject to a tax each year based on the highest and best use, unless a specific exemption is provided by law. The annual growth of all regular

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property tax levy revenue is limited as follows:

- For jurisdictions with a population of less than 10,000, revenue growth is limited to 1 percent.
- For jurisdictions with a population of 10,000 or more, revenue growth is limited to the lesser of inflation or 1 percent plus the value of new construction.

The state collects two regular property tax levies for common schools. The revenue growth limit applies to both levies. Participants in the senior citizens, individuals with disabilities, and qualifying veterans property tax exemption program receive a partial exemption from the original state levy and a full exemption from the additional state levy.

The Washington Constitution also limits regular levies to a maximum of 1 percent of the property's value (\$10 per \$1,000 of assessed value). There are individual district rate maximums and aggregate rate maximums to keep the total tax rate for regular property taxes within the constitutional limit. For example:

- The state levy rate is limited to \$3.60 per \$1,000 of assessed value.
- County general levies are limited to \$1.80 per \$1,000 of assessed value.
- County road levies are limited to \$2.25 per \$1,000 of assessed value.
- City levies are limited to \$3.375 per \$1,000 of assessed value.

For property tax purposes, the state, counties, and cities are collectively referred to as senior taxing districts. Junior taxing districts—a term that includes fire, hospital, flood control zone, and most other special purpose districts—each have specific rate limits as well.

Targeted Urban Area Property Tax Exemption.

Cities and towns are authorized to grant a 10-year local property tax exemption for new industrial or manufacturing facilities in designated areas. Within one year of building occupancy, the facility must create at least 25 family living wage jobs with an average wage of at least \$23 per hour with health care benefits. The value of the property tax exemption is provided on the value of eligible improvements and applies only to the city portion of the property tax. A county may, by resolution, allow any property receiving an exemption from city property taxes to also receive an exemption from county property taxes. No application for the exemption may be submitted after December 31, 2030.

Industrial or manufacturing facilities must be at least 10,000 square feet with an improvement value of at least \$800,000 and meet certain building use standards by the United States Department of Labor. New construction of industrial or manufacturing facilities must:

- be within a targeted area designated by the city;
- be on land that has no existing building improvements and that is zoned for an industrial or manufacturing use;
- meet all construction and development regulations of the city; and
- be completed within three years from the date of approval of the application.

If the city finds that the work was not completed within the required time limit of three years due to circumstances beyond the control of the owner and that the owner has been acting in good faith, the governing authority may extend the deadline for completion of the work for a period not to exceed two years.

Summary of Bill:

Cities are allowed to extend the deadline for project completion for the targeted urban area property tax exemption up to four additional years beyond the existing extension of two years for nuclear facilities that require certification by the United States Nuclear Regulatory Commission.

Appropriation: None.

Fiscal Note: Available.

Effective Date: The bill takes effect 90 days after adjournment of the session in which the bill is passed.

Staff Summary of Public Testimony:

(In support) This is an important bill. The targeted urban area exemption program is a property tax exemption that is given in exchange for offering jobs on new projects. Washington has industry and manufacturing job goals, and this bill helps it to achieve those goals. To receive the exemption, projects must be deemed operationally complete by the city. Nuclear facilities must also go through a licensing process conducted by the United States Nuclear Regulatory Commission before becoming operationally complete. This allows cities to extend the deadline for project completion up to four years. The United States Nuclear Regulatory Commission can take an average of two years to license nuclear facilities, and this allows the facilities additional time, if needed, to complete the construction and certification process to qualify for the property tax exemption.

The city of Richland has designated almost 6,000 acres of its land as a targeted urban area district and has entered into two contracts with companies who would have otherwise invested out of state. These contracts are in aerospace and clean advanced nuclear energy. This bill would help the city of Richland create 500 living wage jobs in only one year's time. The county of Benton supports this legislation because it is clean, creates jobs, and is good for Washington's economy, especially in the Tri-Cities.

The nuclear site in Richland has a safety-first mindset. It is regulated by the United States Nuclear Regulatory Commission and has had no incidents in 16 years.

(Opposed) Nuclear fuel is not clean energy. The generation of nuclear power is non-carbon emitting; however, nuclear facilities produce nuclear waste and there are no safe or permanent places to dispose of the radioactive waste in Washington. There will be many unexpected costs and problems caused by allowing more nuclear power in the state. Pursuing new nuclear options slows down the progress Washington should be making to combat climate change, which needs attention immediately. The nuclear industry is failing and is turning to local and federal legislators to keep the industry funded. The nuclear industry's prosperity should not come at the expense of the people of the State of Washington.

Persons Testifying: (In support) Representative Stephanie Barnard, prime sponsor; Theresa Richardson, City of Richland; Karl Dye, Tridec; Jerome Delvin, Benton County; and Lance Stephens, Framatome Incorporated.

(Opposed) Cathryn Chudy, Oregon Conservancy Foundation; and Suellen Mele.

Persons Signed In To Testify But Not Testifying: None.