

SENATE BILL REPORT

SHB 1756

As of March 29, 2023

Title: An act relating to supporting clean energy through tax changes that increase revenue to local governments, schools, and impacted communities.

Brief Description: Supporting clean energy through tax changes that increase revenue to local governments, schools, and impacted communities.

Sponsors: House Committee on Finance (originally sponsored by Representatives Ramel, Klicker, Duerr, Rude, Schmidt, Reed, Kloba, Doglio, Senn, Ryu and Macri).

Brief History: Passed House: 3/16/23, 81-12.

Committee Activity: Environment, Energy & Technology: 3/24/23 [w/oRec-WM].

Ways & Means: 3/31/23.

Brief Summary of Bill

- Provides a property tax exemption from the state property tax levy for personal property used for the generation of renewable energy and owned by a qualified taxpayer.
- Imposes a production excise tax on the nameplate capacity of qualified renewable energy generating systems.
- Creates the Renewable Energy Local Benefit Account.

SENATE COMMITTEE ON WAYS & MEANS

Staff: Alia Kennedy (786-7405)

Background: Property Tax. All real and personal property in the state is subject to property tax each year based on its value, unless specific exemption is provided by law.

Real property includes land, buildings, improvements and structures. Personal property

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includes machinery, equipment, supplies of businesses, non-attached mobile homes, state-assessed commercial vessels and utility property, or other movable items. Business inventories and intangible personal property, including stocks, are exempt from personal property taxes. In addition, household items owned by an individual are exempt from personal property taxes.

Property taxes are levied by the state and many local jurisdictions, including counties, cities, and local school, fire, park, and library districts. Property taxes are collected by the county and distributed to the levying jurisdiction. The county assessor determines the value of real and personal property for tax purposes, and calculates and certifies levy rates for most taxing districts. The Washington State Constitution requires that taxes be uniform within a class of property.

The annual growth of all regular 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 constitution also provides for a levy rate limit of \$10 per \$1,000 of assessed value, referred to as the constitutional \$10 limit.

Tax Preferences. State law provides for a range of tax preferences that confer reduced tax liability upon a designated class of taxpayer. Tax preferences include tax exclusions, deductions, exemptions, preferential tax rates, deferrals, and credits. Currently, Washington has over 700 tax preferences, including a variety of sales and use tax exemptions. Legislation that establishes or expands a tax preference must include a tax preference performance statement that identifies the public policy objective of the preference, as well as specific metrics that the Joint Legislative Audit and Review Committee can use to evaluate the effectiveness of the preference. All new tax preferences automatically expire after ten years unless an alternative expiration date is provided.

Summary of Bill: Personal Property Tax Exemption. Beginning with tax levied for collection in calendar year 2025, as long as a taxpayer fulfills the requirements of this act, all qualified personal property owned by a taxpayer and used for the generation of renewable energy is exempt from the state property tax levy.

For taxpayers who are not assessed as a public utility, the taxpayers must apply for the exemption with the applicable county assessor. If a taxpayer is assessed as a public utility, the application for an exemption must be filed with the Department of Revenue (DOR). In either case, applications are due by March 31st to claim the exemption for property taxes due and payable in the upcoming calendar year.

The application must include an attestation that the taxpayer has registered with DOR to pay

the production excise tax and designate if the exemption is for ten or 15 years. After the initial application, only an annual attestation is required to continue the exemption.

The term "qualified personal property" means personal property that is used exclusively for the generation or storage of renewable energy in a facility, the construction of which began on or after July 1, 2023.

The term "renewable energy" means energy produced by a solar or wind facility with nameplate capacity sufficient to generate at least 1 megawatt of nameplate capacity of alternating current power.

Production Excise Tax. Taxpayers granted a personal property tax exemption under this act are subject to a production excise tax for the privilege of using qualified renewable energy generating systems as an electric power source in Washington. The production excise tax rates are:

- \$80 per month per megawatt of nameplate capacity of alternating current for a qualified renewable energy generating system that uses solar energy to generate electricity and was granted a personal property tax exemption for ten years;
- \$75 per month per megawatt of nameplate capacity of alternating current for a qualified renewable energy generating system that uses solar energy to generate electricity and was granted a personal property tax exemption for 15 years;
- \$150 per month per megawatt of nameplate capacity of alternating current for a qualified renewable energy generating system that uses wind energy to generate electricity and was granted a personal property tax exemption for ten years;
- \$130 per month per megawatt of nameplate capacity of alternating current for a qualified renewable energy generating system that uses wind energy to generate electricity and was granted a personal property tax exemption for 15 years;
- \$19 per month per megawatt hour of renewable energy storage capacity and was granted a personal property tax exemption for ten years; and
- \$14 per month per megawatt hour of renewable energy storage capacity and was granted a personal property tax exemption of 15 years.

To ensure the rate structures reflect the current market and technology, DOR may recommend changes to the Legislature in the production excise tax rate structure.

Renewable Energy Local Benefit Account. The Renewable Energy Local Benefit Account (Account) is created in the State Treasury and the revenues from the production excise tax must be deposited in this Account. Subject to appropriations, the Account may be used for expenditures to qualified local counties, qualified school districts, and qualified federal recognized Indian tribes. Apportionment of the revenues collected must be distributed as follows:

- 42.5 percent of excise tax paid by a renewable energy system located in a county must go to the county;
- 15 percent to a qualified federally recognized Indian tribe with rights or lands

- reserved or protected by federal treaty, statute, or executive order that are potentially impacted by a renewable energy system; and
- 42.5 percent to qualified school districts in the county, in proportion to number of students being served by the school district.

For the purposes of this act, the following definitions apply:

- "qualified personal property" means personal property that is used exclusively for the generation or storage of renewable energy in a facility, the construction of which began on or after July 1, 2023; and
- "renewable energy" means energy produced by a solar or wind facility with nameplate capacity sufficient to generate at least one megawatt of nameplate capacity of alternating current power.

This act is exempt from the tax preference performance review and automatic ten-year expiration requirements.

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.