

SENATE BILL REPORT

SB 6303

As of February 19, 2024

Title: An act relating to providing tax incentives to encourage energy storage system and component parts manufacturing in Washington.

Brief Description: Providing tax incentives to encourage energy storage system and component parts manufacturing in Washington.

Sponsors: Senators Nguyen, Boehnke and Kuderer.

Brief History:

Committee Activity: Environment, Energy & Technology: 1/26/24 [w/oRec-WM, DNP].
Ways & Means: 2/20/24.

Brief Summary of Bill

- Provides a preferential business and occupation tax rate of 0.275 percent for businesses engaged in manufacturing, processing for hire, or selling energy storage systems or component parts used to manufacture such systems.

SENATE COMMITTEE ON WAYS & MEANS

Staff: Jeffrey Mitchell (786-7438)

Background: The state business and occupation (B&O) tax is Washington's primary business tax. It is a gross receipts tax measured on the value of products, gross proceeds of sale, or gross income of the business. There are no deductions from the B&O tax for labor, materials, taxes, or other costs of doing business. The B&O tax rate varies by classification—activity. The major rates are: 0.471 percent retailing activities, 0.484 percent manufacturing and wholesaling activities, and for service and other activities, either 1.5 percent or 1.75 percent, depending upon the amount of annual gross income of the

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business. The state B&O tax includes a number of preferential tax rates, credits, exemptions, and deductions. For example, under current law, a B&O tax rate of 0.275 percent applies to manufacturing semiconductor materials, travel agents and tour operators with income below \$250,000, stevedoring, manufacturing alternative jet fuel, international investment management services, assisted living services, and manufacturing solar energy systems.

Manufacturers and processors for hire in Washington pay B&O tax at a rate of 0.484 percent on manufacturing or processing for hire activities.

Manufacturers also pay B&O tax on sales of manufactured products in Washington at the retailing rate of 0.471 percent or the wholesaling rate of 0.484 percent. They can take a Multiple Activities Tax Credit for the lesser of either the B&O tax on manufacturing or the B&O tax on the selling activity.

Summary of Bill: The bill as referred to committee not considered.

Summary of Bill (Proposed Substitute): A preferential B&O tax rate of 0.275percent is created for businesses engaged in manufacturing, processing for hire, or selling energy storage systems or component parts used to manufacture such systems.

An energy storage system is defined as a device capable of storing energy to supply electrical power at a later time.

This bill defines component parts as major components of energy storage systems including, but not limited to:

- cathodes and anodes;
- separators, membranes, and electrolytes;
- battery modules, packs, and management systems;
- silane and other industrial gases; and
- mechanical devices integral to the operation of energy storage systems.

Taxpayers reporting this preferential B&O tax rate must electronically file returns, correspondence, and an annual tax performance report.

This preferential B&O tax rate expires June 30, 2040.

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.