
SENATE BILL 6303

State of Washington

68th Legislature

2024 Regular Session

By Senators Nguyen, Boehnke, and Kuderer

Read first time 01/24/24. Referred to Committee on Environment, Energy & Technology.

1 AN ACT Relating to providing tax incentives to encourage energy
2 storage system and component parts manufacturing in Washington;
3 amending RCW 82.89.010; amending 2022 c 185 s 11 (uncodified); adding
4 new sections to chapter 82.04 RCW; and creating new sections.

5 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

6 NEW SECTION. **Sec. 1.** It is the intent of the legislature to
7 advance Washington state as a national and worldwide leader in clean
8 energy technology. The legislature recognizes that the state has a
9 unique opportunity to attract manufacturers of energy storage systems
10 and component parts. By providing tax preferences to attract energy
11 storage systems manufacturers to Washington state, this policy
12 supports the production of energy storage systems, which will play an
13 integral role in achieving the state's bold goals for
14 decarbonization. This policy creates a competitive economic
15 environment to produce clean energy, increases Washington state's
16 sustainable energy workforce through creating lasting family-wage
17 jobs in the clean energy sector, and further solidifies Washington
18 state as the gold standard for clean energy policy.

19 NEW SECTION. **Sec. 2.** A new section is added to chapter 82.04
20 RCW to read as follows:

1 (1) Beginning July 1, 2025, until June 30, 2040, upon every
2 person engaging within this state in the business of making sales at
3 retail or wholesale of energy storage systems, component parts used
4 in the manufacture of energy storage systems, or both, the amount of
5 tax on such business is equal to the gross proceeds of sales of the
6 product manufactured, multiplied by the rate of 0.275 percent.

7 (2) Beginning July 1, 2025, until June 30, 2040, upon every
8 person engaging within this state in the business of manufacturing
9 energy storage systems, component parts used in the manufacture of
10 energy storage systems, or both, the amount of tax on such business
11 is equal to the value of the products manufactured, multiplied by the
12 rate of 0.275 percent.

13 (3) Beginning July 1, 2025, until June 30, 2040, upon every
14 person engaging within this state as a processor for hire of energy
15 storage systems, component parts used in the manufacture of energy
16 storage systems, or both, the amount of tax on such business is equal
17 to the gross income of the business, multiplied by the rate of 0.275
18 percent.

19 (4) A person reporting under the tax rate provided in this
20 section must electronically file with the department all returns,
21 forms, and other information the department requires in an electronic
22 format as provided or approved by the department. Any return, form,
23 or information required to be filed in an electronic format under
24 this section is not filed until received by the department in an
25 electronic format. As used in this subsection, "returns" has the same
26 meaning as "return" in RCW 82.32.050.

27 (5) A person reporting under the tax rate provided in this
28 section must file a complete annual tax performance report with the
29 department under RCW 82.32.534.

30 (6) For the purposes of this section, the following definitions
31 apply.

32 (a) "Energy storage system" means a device or group of devices
33 assembled together, capable of storing energy in order to supply
34 electrical energy at a later time. Energy storage systems include the
35 following categories:

36 (i) Mechanical systems, including pumped hydro energy storage,
37 gravity storage technologies, compressed air energy storage, and
38 flywheels;

39 (ii) Electromechanical systems, including all formulations of
40 lead acid, lithium ion, flow, high temperature, and zinc batteries;

1 (iii) Thermal systems, including molten salt, chilled water,
2 latent-ice, phase change materials, and thermochemicals; and

3 (iv) Electrical systems, including super capacitors and
4 superconducting magnetic energy storage systems.

5 (b) "Component parts used in the manufacture of energy storage
6 systems" means major components of energy storage systems including,
7 but not limited to, cathodes, anodes, separators, membranes,
8 electrolytes, battery modules and packs, battery management systems,
9 silane and other industrial gases, and mechanical devices integral to
10 the operation of energy storage systems.

11 NEW SECTION. **Sec. 3.** A new section is added to chapter 82.04
12 RCW to read as follows:

13 (1) Subject to the limits and provisions of this section, a
14 credit is authorized against the tax otherwise due under this chapter
15 for persons engaged in the business of manufacturing energy storage
16 systems, component parts used in the manufacture of energy storage
17 systems, or both.

18 (2) The credit under this section equals \$4,000 for each
19 qualified employment position engaged in manufacturing production
20 that takes place in a qualifying facility. A credit is earned for the
21 calendar year a person fills a position. Additionally, a credit is
22 earned for each year the position is maintained over the subsequent
23 consecutive years, up to 10 years, but may not be earned after the
24 date specified in subsection (8) of this section. Those positions
25 that are not filled for the entire year are eligible for 50 percent
26 of the credit if filled less than six months, and the entire credit
27 if filled more than six months.

28 (3) The credit may not exceed the amount of tax due under this
29 chapter. No refunds may be granted for credits under this section.
30 The credit may be claimed against any tax due under this chapter,
31 less any taxable amount for which a credit is allowed under RCW
32 82.04.440.

33 (4) If at any time the department finds that a person is not
34 eligible for tax credit under this section, the amount of taxes for
35 which a credit has been claimed is immediately due. The department
36 must assess interest, but not penalties, on the taxes for which the
37 person is not eligible. The interest must be assessed at the rate
38 provided for delinquent excise taxes under chapter 82.32 RCW, is

1 retroactive to the date the tax credit was claimed, and accrues until
2 the taxes for which a credit has been used are repaid.

3 (5) A person claiming the credit under this section must file a
4 complete annual tax performance report with the department under RCW
5 82.32.534.

6 (6) To claim a credit under this chapter, a person must
7 electronically file with the department all returns, forms, and other
8 information the department requires in an electronic format as
9 provided or approved by the department. Any return, form, or
10 information required to be filed in an electronic format under this
11 section is not filed until received by the department in an
12 electronic format. As used in this subsection, "returns" has the same
13 meaning as "return" in RCW 82.32.050.

14 (7) For the purposes of this section, the following definitions
15 apply.

16 (a) "Energy storage systems" and "component parts used in the
17 manufacturing of energy storage systems" have the same meanings as
18 provided in section 2 of this act.

19 (b) "Qualified employment position" means a permanent full-time
20 position engaged in manufacturing energy storage systems, component
21 parts used in the manufacture of energy storage systems, or both. If
22 an employee is either voluntarily or involuntarily separated from
23 employment, the employment position is considered filled on a full-
24 time basis if the employer is either training or actively recruiting
25 a replacement employee and the cumulative period of any vacancies in
26 that position is not more than 120 days in the four-quarter period.

27 (c) "Qualifying facility" means a facility primarily used for
28 manufacturing energy storage systems, component parts used in the
29 manufacture of energy storage systems, or both.

30 (8) Credits may be earned for new employment positions created on
31 or after January 1, 2025, or after the date commercial production of
32 energy storage systems, component parts used in the manufacture of
33 energy storage systems, or both has commenced, whichever is later,
34 and on or before June 30, 2035. Credits may be claimed on tax returns
35 filed for reporting periods beginning on or after July 1, 2025. No
36 credits may be claimed on tax returns filed for reporting periods
37 beginning on or after July 1, 2040.

38 (9) A person may not claim a credit under this section and
39 chapter 82.62 RCW for the same qualified employment position.

1 **Sec. 4.** RCW 82.89.010 and 2022 c 185 s 1 are each amended to
2 read as follows:

3 The definitions in this section apply throughout this chapter
4 unless the context clearly requires otherwise.

5 (1) "Applicant" means a person applying for a tax deferral under
6 this chapter.

7 (2) "Component parts used in the manufacture of energy storage
8 systems" means major components of energy storage systems including,
9 but not limited to, cathodes, anodes, separators, membranes,
10 electrolytes, battery modules and packs, battery management systems,
11 silane and other industrial gases, and mechanical devices integral to
12 the operation of energy storage systems.

13 (3) "Eligible investment project" means an investment project of
14 at least \$2,000,000 in either qualified buildings or qualified
15 machinery and equipment, or both, for any of the following new,
16 renovated, or expanded:

17 (a) Manufacturing operations;

18 (b) Facilities to produce clean fuels, subject to the limitations
19 in subsection ~~((+8))~~ (10)(d) of this section, renewable hydrogen,
20 green electrolytic hydrogen, or green hydrogen carriers; or

21 (c) Storage facilities.

22 ~~((+3))~~ (4) "Energy storage system" means a device or group of
23 devices assembled together, capable of storing energy in order to
24 supply electrical energy at a later time. Energy storage systems
25 include the following categories:

26 (a) Mechanical systems, including pumped hydro energy storage,
27 gravity storage technologies, compressed air energy storage, and
28 flywheels;

29 (b) Electromechanical systems, including all formulations of lead
30 acid, lithium ion, flow, high temperature, and zinc batteries;

31 (c) Thermal systems, including molten salt, chilled water,
32 latent-ice, phase change materials, and thermochemicals; and

33 (d) Electrical systems, including super capacitors and
34 superconducting magnetic energy storage systems.

35 (5) "Green electrolytic hydrogen" means hydrogen produced through
36 electrolysis and does not include hydrogen manufactured using steam
37 reforming or any other conversion technology that produces hydrogen
38 from a fossil fuel feedstock.

39 ~~((+4))~~ (6) "Green hydrogen carrier" means a chemical compound,
40 created using electricity or renewable resources as energy input and

1 without use of fossil fuel as a feedstock, from renewable hydrogen or
2 green electrolytic hydrogen for the purposes of transportation,
3 storage, and dispensing of hydrogen.

4 ~~((+5))~~ (7) (a) "Initiation of construction" means the date that a
5 building permit is issued under the building code adopted under
6 RCW 19.27.031 for:

7 (i) Construction of the qualified building, if the underlying
8 ownership of the building vests exclusively with the person receiving
9 the economic benefit of the deferral;

10 (ii) Construction of the qualified building, if the economic
11 benefits of the deferral are passed to a lessee as provided in RCW
12 82.89.020; or

13 (iii) Tenant improvements for a qualified building, if the
14 economic benefits of the deferral are passed to a lessee as provided
15 in RCW 82.89.020.

16 (b) "Initiation of construction" does not include soil testing,
17 site clearing and grading, site preparation, or any other related
18 activities that are initiated before the issuance of a building
19 permit for the construction of the foundation of the building.

20 (c) If the eligible investment project is a phased project,
21 "initiation of construction" applies separately to each phase.

22 ~~((+6))~~ (8) "Investment project" means an investment in either
23 qualified buildings or qualified machinery and equipment, or both,
24 including labor and services rendered in the planning, installation,
25 and construction of the project.

26 ~~((+7))~~ (9) "Manufacturing" has the same meaning as "to
27 manufacture" in RCW 82.04.120.

28 ~~((+8))~~ (10) "Manufacturing operation" means manufacturing
29 tangible personal property exclusively incorporated as an ingredient
30 or component of or used in the generation of:

31 (a) Passenger cars, light duty trucks, medium duty passenger
32 vehicles, buses, commercial vehicles as defined in RCW 46.04.140, or
33 motorcycles that emit no exhaust gas from the onboard source of
34 power, other than water vapor;

35 (b) Charging and fueling infrastructure for electric, hydrogen,
36 or other vehicle types that emits no exhaust gas from the onboard
37 source of power, other than water vapor;

38 (c) Renewable and green electrolytic hydrogen, including
39 preparing renewable and green electrolytic hydrogen for distribution
40 or converting it to a green hydrogen carrier;

1 (d) Clean fuel with associated greenhouse gas emissions not
2 exceeding 80 percent of the 2017 levels established under RCW
3 70A.535.020 or its successor statute under chapter 70A.535 RCW;

4 (e) Electricity from renewable resources; (~~(e)~~)

5 (f) Storage facilities;

6 (g) Energy storage systems; or

7 (h) Component parts used in the manufacture of energy storage
8 systems.

9 (~~(9)~~) (11) "Meaningful construction" means an active
10 construction site, where excavation of a building site, laying of a
11 building foundation, or other tangible signs of construction are
12 taking place and that clearly show a progression in the construction
13 process at the location designated by the taxpayer in the application
14 for deferral. Planning, permitting, or land clearing before
15 excavation of the building site, without more, does not constitute
16 "meaningful construction."

17 (~~(10)~~) (12) "Operationally complete" means the eligible
18 investment project is capable of being used for its intended purpose
19 as described in the application.

20 (~~(11)~~) (13) "Person" has the same meaning as in RCW 82.04.030.

21 (~~(12)~~) (14) "Qualified buildings" means construction of new
22 structures, and expansion or renovation of existing structures for
23 the purpose of increasing floor space or production capacity, used
24 for manufacturing, including plant offices and warehouses or other
25 buildings for the storage of raw materials or finished goods if the
26 facilities are an essential or an integral part of a factory, mill,
27 plant, or laboratory used for manufacturing. If a qualified building
28 is used partly for manufacturing and partly for other purposes, the
29 applicable tax deferral must be determined by apportionment of the
30 costs of construction under rules adopted by the department.

31 (~~(13)~~) (15) "Qualified machinery and equipment" means all new
32 industrial fixtures, equipment, and support facilities that are an
33 integral and necessary part of a manufacturing operation. "Qualified
34 machinery and equipment" includes: Computers; software; data
35 processing equipment; laboratory equipment; manufacturing components
36 such as belts, pulleys, shafts, and moving parts; molds, tools, and
37 dies; operating structures; and all equipment used to control,
38 monitor, or operate the machinery.

39 (~~(14)~~) (16) "Recipient" means a person receiving a tax deferral
40 under this chapter.

1 ((~~15~~)) (17) "Renewable resource" has the same meaning as in
2 RCW 82.08.816.

3 ((~~16~~)) (18) "Storage facility" means a facility that:

4 (a) Accepts electricity as an energy source and uses a chemical,
5 thermal, mechanical, or other process to store energy for subsequent
6 delivery or consumption in the form of electricity; or

7 (b) Stores renewable hydrogen, green electrolytic hydrogen, or
8 green hydrogen carrier for subsequent delivery or consumption.

9 **Sec. 5.** 2022 c 185 s 11 (uncodified) is amended to read as
10 follows:

11 (1) This section is the tax preference performance statement for
12 the tax preference contained in chapter 185, Laws of 2022 and section
13 4, chapter . . ., Laws of 2024 (section 4 of this act). This
14 performance statement is only intended to be used for subsequent
15 evaluation of the tax preference. It is not intended to create a
16 private right of action by any party or to be used to determine
17 eligibility for preferential tax treatment.

18 (2) The legislature categorizes this tax preference as one
19 intended to induce certain designated behavior by taxpayers, improve
20 industry competitiveness, and create jobs.

21 (3) It is the legislature's specific public policy objective to
22 build manufacturing capacity for carbon-free electricity and to
23 financially incentivize the use of high labor standards.

24 (4)(a) To measure the effectiveness of the tax preference (~~in~~
25 ~~this act~~), the joint legislative audit and review committee must
26 evaluate at least the first five years of available data, reporting
27 its findings to the legislature by December 31, 2028. The review must
28 include evaluation of:

29 (i) The average construction wages for eligible projects;

30 (ii) The number of jobs created in the clean technology sector;

31 (iii) The use of apprenticeship programs, and women, minority, or
32 veteran-owned businesses by eligible projects;

33 (iv) The degree to which the preference encouraged manufacturing
34 and component production for technologies that reduce greenhouse gas
35 emissions;

36 (v) Whether facilities benefiting from the preference would have
37 been developed without the preference; and (vi) Any other relevant
38 metric.

1 (b) The legislature does not intend to change the expiration of
2 the preference based on the findings of the review.

3 (5) In order to obtain the data necessary to perform the review
4 in subsection (4) of this section, the joint legislative audit and
5 review committee may refer to any data collected by the state.

6 NEW SECTION. **Sec. 6.** RCW 82.32.808 does not apply to sections 2
7 and 3 of this act.

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