

Multiple Agency Fiscal Note Summary

Bill Number: 6012 S SB	Title: Renewable energy incentives
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Estimated Cash Receipts

Agency Name	2019-21		2021-23		2023-25	
	GF- State	Total	GF- State	Total	GF- State	Total
Department of Revenue	(10,661,000)	(10,679,000)	(10,666,000)	(10,684,000)	(19,970,000)	(20,003,000)
Total \$	(10,661,000)	(10,679,000)	(10,666,000)	(10,684,000)	(19,970,000)	(20,003,000)

Local Gov. Courts						
Loc School dist-SPI						
Local Gov. Other	Fiscal note not available					
Local Gov. Total						

Estimated Operating Expenditures

Agency Name	2019-21			2021-23			2023-25		
	FTEs	GF-State	Total	FTEs	GF-State	Total	FTEs	GF-State	Total
Department of Revenue	.2	68,000	68,000	.0	0	0	.0	0	0
Total \$	0.2	68,000	68,000	0.0	0	0	0.0	0	0

Local Gov. Courts									
Loc School dist-SPI									
Local Gov. Other	Fiscal note not available								
Local Gov. Total									

Estimated Capital Budget Expenditures

Agency Name	2019-21			2021-23			2023-25		
	FTEs	Bonds	Total	FTEs	Bonds	Total	FTEs	Bonds	Total
Department of Revenue	.0	0	0	.0	0	0	.0	0	0
Total \$	0.0	0	0	0.0	0	0	0.0	0	0

Estimated Capital Budget Breakout

NONE

Prepared by: Kathy Cody, OFM	Phone: (360) 902-9822	Date Published: Preliminary 4/25/2019
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Department of Revenue Fiscal Note

Bill Number: 6012 S SB	Title: Renewable energy incentives	Agency: 140-Department of Revenue
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Part I: Estimates

☐ No Fiscal Impact

Estimated Cash Receipts to:

Account	FY 2020	FY 2021	2019-21	2021-23	2023-25
GF-STATE-State 01 - Taxes 01 - Retail Sales Tax	(5,330,000)	(5,331,000)	(10,661,000)	(10,666,000)	(19,970,000)
Performance Audits of Government Account-State 01 - Taxes 01 - Retail Sales Tax	(9,000)	(9,000)	(18,000)	(18,000)	(33,000)
Total \$	(5,339,000)	(5,340,000)	(10,679,000)	(10,684,000)	(20,003,000)

Estimated Expenditures from:

	FY 2020	FY 2021	2019-21	2021-23	2023-25
FTE Staff Years	0.4		0.2		
Account					
GF-STATE-State 001-1	68,000		68,000		
Total \$	68,000		68,000		

Estimated Capital Budget Impact:

NONE

The cash receipts and expenditure estimates on this page represent the most likely fiscal impact. Factors impacting the precision of these estimates, and alternate ranges (if appropriate), are explained in Part II.

Check applicable boxes and follow corresponding instructions:

- ☒ If fiscal impact is greater than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete entire fiscal note form Parts I-V.
- ☐ If fiscal impact is less than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete this page only (Part I).
- ☐ Capital budget impact, complete Part IV.
- ☐ Requires new rule making, complete Part V.

Legislative Contact:	Phone:	Date: 04/23/2019
Agency Preparation: Marianne McIntosh	Phone: 360-534-1505	Date: 04/24/2019
Agency Approval: Don Gutmann	Phone: 360-534-1510	Date: 04/24/2019
OFM Review: Kathy Cody	Phone: (360) 902-9822	Date: 04/25/2019

Request # 6012-6-1

Part II: Narrative Explanation

II. A - Brief Description Of What The Measure Does That Has Fiscal Impact

Briefly describe, by section number, the significant provisions of the bill, and any related workload or policy assumptions, that have revenue or expenditure impact on the responding agency.

Note: This fiscal note reflects language in SSB 6012, 2019 Legislative Session.

CURRENT LAW:

RCW 82.08.962 and 82.12.962 provide a sales and use tax exemption for machinery and equipment used directly in generating electricity from wind, fuel cells, sun, biomass energy, tidal or wave energy, geothermal resources or technology that converts otherwise lost energy from exhaust, as the principal source of power. In order to qualify for the exemption, except as noted below for solar energy systems, the purchaser must use the machinery and equipment to develop a facility capable of generating at least 1,000 watts (1 kilowatt (kW)) of electricity. The exemption also includes sales of or charges made for labor and services rendered in respect to installing qualifying machinery and equipment.

From July 1, 2009, through June 30, 2011, qualifying purchases were eligible for a 100 percent exemption. Beginning July 1, 2011, through January 1, 2020, qualifying purchases are eligible for a 75 percent exemption in the form of a refund to the purchaser.

Beginning October 1, 2017, the exemption does not apply to sales of solar energy systems, unless the system is capable of generating more than 500 kW of electricity.

The exemption expires January 1, 2020.

PROPOSAL:

This bill extends the expiration of this exemption to January 1, 2030, and adds water energy to the list of power sources that qualify for the exemption. For machinery and equipment used directly in generating electricity from water, "machinery and equipment" only includes replacement parts that increases the electricity output of the facility and does not extend to local sales and use tax.

EFFECTIVE DATE:

This bill has an immediate effective date.

II. B - Cash receipts Impact

Briefly describe and quantify the cash receipts impact of the legislation on the responding agency, identifying the cash receipts provisions by section number and when appropriate the detail of the revenue sources. Briefly describe the factual basis of the assumptions and the method by which the cash receipts impact is derived. Explain how workload assumptions translate into estimates. Distinguish between one time and ongoing functions.

ASSUMPTIONS

- Full year impact for Fiscal Year 2020 for hydro power energy remittances.
- US Energy Information Administration provided a report stating the growth of the renewable sector is estimated to be between 6 and 17 percent. Utilized 10 percent growth rate for renewable energy sales tax exemption for this estimate.
- The majority of the projects listed on the website Renewablenw.org have been pending for multiple years and are no longer being pursued.
- The large wind project being constructed in Lewis County will be completed by the end of Calendar Year 2019 and included within the current incentive program.
- Historically, the Department of Revenue has received a large remittance for a renewable energy project approximately every five years; therefore, assume another large project will be completed by the end of Calendar Year 2024 with the tax refund remitted in Fiscal Year 2025.
- The exemption for machinery and equipment utilizing water to generate electricity does not extend to the local sales and use tax for qualifying purchases.
- Growth remains constant for hydro power energy purchases.

DATA SOURCES

- Department of Revenue excise tax returns
- <http://www.theolympian.com/news/local/article86670312.html>
- <https://lewiscountywa.gov/community-development/skookumchuck-wind-energy-sepa>
- <https://renewablenw.org>
- <https://www.grantpud.org/wanapum-dam-turbine-and-generator-replacement>
- <https://www.grantpud.org/priest-rapids-turbine-and-generator-renovation>
- Annual hydro energy projects provided by industry representatives

REVENUE ESTIMATES

This bill decreases state revenues by an estimated \$10.7 million and local revenues by an estimated \$12,000 in the 2019-21 Biennium.

TOTAL REVENUE IMPACT:

State Government (cash basis, \$000):

FY 2020 -	(\$ 5,339)
FY 2021 -	(\$ 5,340)
FY 2022 -	(\$ 5,341)
FY 2023 -	(\$ 5,343)
FY 2024 -	(\$ 5,345)
FY 2025 -	(\$ 14,658)

Local Government, if applicable (cash basis, \$000):

FY 2020 -	(\$ 6)
FY 2021 -	(\$ 6)
FY 2022 -	(\$ 7)
FY 2023 -	(\$ 8)
FY 2024 -	(\$ 9)
FY 2025 -	(\$ 4,054)

II. C - Expenditures

Briefly describe the agency expenditures necessary to implement this legislation (or savings resulting from this legislation), identifying by section number the provisions of the legislation that result in the expenditures (or savings). Briefly describe the factual basis of the assumptions and the method by which the expenditure impact is derived. Explain how workload assumptions translate into cost estimates. Distinguish between one time and ongoing functions.

ASSUMPTIONS:

This legislation impacts approximately 15 taxpayers.

FIRST YEAR COSTS:

The Department will incur total costs of \$68,000 in Fiscal Year 2020. These costs include:

Labor Costs – Time and effort equates to 0.43 FTEs.

- Amend one rule.
- Update claim accounts and perform system testing.
- Assist taxpayers with online and paper tax forms.
- Conduct account examinations.

Object Costs - \$26,400.

- Contracting for system changes.

ONGOING COSTS:

There are no ongoing costs.

Part III: Expenditure Detail

III. A - Expenditures by Object Or Purpose

	FY 2020	FY 2021	2019-21	2021-23	2023-25
FTE Staff Years	0.4		0.2		
A-Salaries and Wages	26,400		26,400		
B-Employee Benefits	7,900		7,900		
C-Professional Service Contracts	26,400		26,400		
E-Goods and Other Services	4,600		4,600		
J-Capital Outlays	2,700		2,700		
Total \$	\$68,000		\$68,000		

III. B - Detail: *List FTEs by classification and corresponding annual compensation. Totals need to agree with total FTEs in Part I and Part IIIA*

Job Classification	Salary	FY 2020	FY 2021	2019-21	2021-23	2023-25
EMS BAND 4	115,593	0.0		0.0		
EMS BAND 5	135,039	0.0		0.0		
EXCISE TAX EX 3	56,256	0.1		0.1		
MGMT ANALYST1	45,096	0.0		0.0		
MGMT ANALYST4	63,684	0.1		0.1		
TAX INFO SPEC 4	60,636	0.1		0.1		
TAX POLICY SP 2	68,580	0.0		0.0		
TAX POLICY SP 3	77,616	0.1		0.0		
TAX POLICY SP 4	83,556	0.0		0.0		
WMS BAND 3	98,308	0.0		0.0		
Total FTEs		0.4		0.3		

Part IV: Capital Budget Impact

None.

Part V: New Rule Making Required

Identify provisions of the measure that require the agency to adopt new administrative rules or repeal/revise existing rules.

Should this legislation become law, the Department of Revenue will use the standard process to amend WAC 458-20-263, titled: "Exemptions from retail sales and use taxes for qualifying electric generating systems using renewable energy sources". Persons affected by this rule making would include persons qualifying for the existing RCW 82.08.962/82.12.962 sales and use tax exemptions.