

Multiple Agency Fiscal Note Summary

Bill Number: 1756 HB	Title: Clean energy/tax changes
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Estimated Cash Receipts

Agency Name	2023-25			2025-27			2027-29		
	GF-State	NGF-Outlook	Total	GF-State	NGF-Outlook	Total	GF-State	NGF-Outlook	Total
Department of Revenue	(80,000)	(80,000)	(20,000)	(610,000)	(610,000)	(120,000)	(1,180,000)	(1,180,000)	(410,000)
Total \$	(80,000)	(80,000)	(20,000)	(610,000)	(610,000)	(120,000)	(1,180,000)	(1,180,000)	(410,000)

Agency Name	2023-25		2025-27		2027-29	
	GF- State	Total	GF- State	Total	GF- State	Total
Local Gov. Courts						
Loc School dist-SPI						
Local Gov. Other		51,000		416,500		654,500
Local Gov. Total		51,000		416,500		654,500

Estimated Operating Expenditures

Agency Name	2023-25				2025-27				2027-29			
	FTEs	GF-State	NGF-Outlook	Total	FTEs	GF-State	NGF-Outlook	Total	FTEs	GF-State	NGF-Outlook	Total
Department of Revenue	1.9	867,000	867,000	867,000	.6	121,000	121,000	121,000	.5	98,400	98,400	98,400
Total \$	1.9	867,000	867,000	867,000	0.6	121,000	121,000	121,000	0.5	98,400	98,400	98,400

Agency Name	2023-25			2025-27			2027-29		
	FTEs	GF-State	Total	FTEs	GF-State	Total	FTEs	GF-State	Total
Local Gov. Courts									
Loc School dist-SPI	Non-zero but indeterminate cost and/or savings. Please see discussion.								
Local Gov. Other	Non-zero but indeterminate cost and/or savings. Please see discussion.								
Local Gov. Total									

Estimated Capital Budget Expenditures

Agency Name	2023-25			2025-27			2027-29		
	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

Agency Name	2023-25			2025-27			2027-29		
	FTEs	GF-State	Total	FTEs	GF-State	Total	FTEs	GF-State	Total
Local Gov. Courts									
Loc School dist-SPI	Non-zero but indeterminate cost and/or savings. Please see discussion.								
Local Gov. Other	Non-zero but indeterminate cost and/or savings. Please see discussion.								
Local Gov. Total									

Estimated Capital Budget Breakout

Prepared by: Cheri Keller, OFM	Phone: (360) 584-2207	Date Published: Final 2/ 7/2023
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Department of Revenue Fiscal Note

Bill Number: 1756 HB	Title: Clean energy/tax changes	Agency: 140-Department of Revenue
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Part I: Estimates

No Fiscal Impact

Estimated Cash Receipts to:

Account	FY 2024	FY 2025	2023-25	2025-27	2027-29
GF-STATE-State 01 - Taxes 50 - Property Tax		(80,000)	(80,000)	(610,000)	(1,180,000)
NEW-State 00 - 00 -		60,000	60,000	490,000	770,000
Total \$		(20,000)	(20,000)	(120,000)	(410,000)

Estimated Expenditures from:

Account	FY 2024	FY 2025	2023-25	2025-27	2027-29
FTE Staff Years	2.0	1.8	1.9	0.6	0.5
GF-STATE-State 001-1	650,900	216,100	867,000	121,000	98,400
Total \$	650,900	216,100	867,000	121,000	98,400

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: Tracey Taylor	Phone: 60-786-7152	Date: 02/03/2023
Agency Preparation: Mark Studer	Phone: 60-534-1507	Date: 02/06/2023
Agency Approval: Valerie Torres	Phone: 60-534-1521	Date: 02/06/2023
OFM Review: Cheri Keller	Phone: (360) 584-2207	Date: 02/07/2023

Request # 1756-1-1

Part II: Narrative Explanation

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

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

PROPERTY TAX EXEMPTION (Section 1):

CURRENT LAW:

Owners of personal property used for renewable energy file a personal property listing with the county assessor, or, if they are an intercounty utility, they file an annual report with the Department of Revenue (department). Owners of personal property used for renewable energy are subject to both state and local property tax on the value of the property.

PROPOSAL:

This legislation allows for all qualified personal property used exclusively for the generation of renewable energy to be exempt from property taxes levied for any state purpose. The exemption is available for 10 or 15 years following the date on which the facility where the property is located first becomes operational. The proposal defines qualified personal property as personal property used exclusively for the generation or storage of renewable energy in a facility, the construction of which begins on or after July 1, 2023. Renewable energy is defined as energy produced by a solar or wind facility with nameplate capacity sufficient to generate at least one megawatt (MW) of alternating current power.

To claim the exemption the property owner must register with the department to pay the renewable energy excise tax in Section 2 of the proposal and:

- Apply to the county assessor together with their annual personal property listing (RCW 84.40.190), or
- For intercounty utility companies, apply to the department together with their required annual report (RCW 84.12.230).

For qualifying properties assessed by the county, the county assessor must provide a list of taxpayers granted a property tax exemption under the legislation for the following year to the department by August 1 of each year.

The new tax preference performance provisions do not apply to this bill (see section 5 of the bill).

RENEWABLE ENERGY EXCISE TAX (Section 2 & 3):

CURRENT LAW:

There is no renewable energy excise tax under current law.

The gross income from the generation or distribution of electrical power is subject to the state public utility tax imposed on light and power businesses at a rate of 3.873%.

PROPOSAL:

For taxpayers granted the exemption in Section 1 of this proposal, this bill creates a new excise tax on the privilege of using qualified solar and wind renewable energy generating systems as an electric power source in the state. The rate of this tax is as follows:

- \$75 per month per MW of nameplate capacity of solar renewable energy that was granted a 15-year property tax exemption.
- \$80 per month per MW of nameplate capacity of solar renewable energy that was granted a 10-year property tax exemption.
- \$130 per month per MW of nameplate capacity of wind renewable energy that was granted a 15-year property tax exemption.

exemption.

- \$150 per month per MW of nameplate capacity of wind renewable energy that was granted a 10-year property tax exemption.
- \$100 per month per MW of storage capacity of renewable energy storage systems.

The county assessor is required to provide a list of taxpayers granted a property tax exemption for the following year by August 1. The listed taxpayers must register with the department and pay the applicable renewable energy excise tax on their excise tax returns.

This bill creates the renewable energy local benefit account in the state treasury. All receipts from the renewable energy excise tax must be deposited in this account, and expenditures from this account are subject to appropriation and may only be used for qualified local counties and qualified school districts.

EFFECTIVE DATE:

The bill takes effect 90 days after final adjournment of the session for taxes levied for collection in 2025 and thereafter.

II. B - Cash receipts Impact

Cash receipts impact of the legislation on the responding agency with the cash receipts provisions identified by section number and when appropriate, the detail of the revenue sources. Description of the factual basis of the assumptions and the method by which the cash receipts impact is derived. Explanation of how workload assumptions translate into estimates. Distinguished between one time and ongoing functions.

ASSUMPTIONS

- Approximately 150 megawatts, nameplate capacity, of renewable energy will be added each year of this estimate.
- Added capacity will be an equal split between wind and solar.
- No wind facilities will apply for the property tax exemption because the excise tax is greater than the property tax. This is due to the federal investment tax credit that is deducted from original cost of the facility before calculation of the assessed value for property taxes.
- No energy storage facilities will apply for the property tax exemption because the excise tax is greater than the property tax.
- The average cost of qualifying personal property for a solar facility is approximately \$1 million per megawatt of nameplate capacity in 2025 and will decrease approximately 2% per year each year of this estimate period.
- Exempt property is not added to the tax roll prior to receiving the exemption.
- The proposed renewable energy excise tax impacts five months of collections in fiscal year 2025.
- Half of taxpayers will select the \$75 per month per MW of nameplate capacity of solar renewable energy with the 15-year exemption rate, and the other half will select the \$80 per month per MW of nameplate capacity of solar renewable energy with the 10-year exemption rate.

DATA SOURCES

- U.S. Energy Information Administration website
- Solar Reviews website
- Cost Projection for Utility-Scale Battery Storage: 2021 - Update National Renewable Energy Laboratory
- Economic and Revenue Forecast Council, November 2022 forecasts
- Department of Revenue, State Property Tax Model

REVENUE ESTIMATES

The loss in state property tax revenue is due to the loss of added levy capacity from these renewable energy facilities not being added to the tax roll for state levy purposes.

TOTAL REVENUE IMPACT:

State Government (cash basis, \$000):

Request # 1756-1-1

FY 2024 - \$ 0
FY 2025 - (\$ 20)
FY 2026 - (\$ 20)
FY 2027 - (\$ 100)
FY 2028 - (\$ 170)
FY 2029 - (\$ 240)

Local Government, if applicable (cash basis, \$000): None

II. C - Expenditures

Agency expenditures necessary to implement this legislation (or savings resulting from this legislation), with the provisions of the legislation that result in the expenditures (or savings) identified by section number. Description of the factual basis of the assumptions and the method by which the expenditure impact is derived. Explanation of how workload assumptions translate into cost estimates. Distinguished between one time and ongoing functions.

ASSUMPTIONS:

This estimate affects less than 300 property owners.

FIRST YEAR COSTS:

The department will incur total costs of \$650,900 in fiscal year 2024. These costs include:

Labor Costs - Time and effort equate to 1.96 FTEs.

- Test, review, and adjust accounting reports.
 - Accounting activities for the new tax; compile receivable information for statewide financial statements and stakeholders.
- Respond to secure messages, correspondence, and telephone questions.
- Amend one administrative rule and adopt one administrative rule.
- Set up, program, and test computer system changes for new allocation and reports.

Object Costs - \$396,300

- Print and mail documents, correspondence, and returns.
- Computer system changes, including contract programming.

SECOND YEAR COSTS:

The department will incur total costs of \$216,100 in fiscal year 2025. These costs include:

Labor Costs - Time and effort equate to 1.8 FTE.

- Respond to secure messages, correspondence, and telephone questions.
- Conduct account examinations, issue assessments or credits, monitor reports, and assist taxpayers with reporting.
- Continue to set up, program, and test computer system changes for new allocation and reports.

Object Costs - \$700.

- Print and mail documents, correspondence, and returns.

ONGOING COSTS:

Ongoing costs for the 2025-27 biennium equal \$121,000 and include similar activities described in the second-year costs. Time and effort equate to 0.6 FTE.

Part III: Expenditure Detail

III. A - Expenditures by Object Or Purpose

	FY 2024	FY 2025	2023-25	2025-27	2027-29
FTE Staff Years	2.0	1.8	1.9	0.6	0.5
A-Salaries and Wages	159,000	136,800	295,800	78,200	63,600
B-Employee Benefits	52,400	45,200	97,600	25,900	21,000
C-Professional Service Contracts	396,000		396,000		
E-Goods and Other Services	29,900	24,700	54,600	13,200	10,800
J-Capital Outlays	13,600	9,400	23,000	3,700	3,000
Total \$	\$650,900	\$216,100	\$867,000	\$121,000	\$98,400

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

Job Classification	Salary	FY 2024	FY 2025	2023-25	2025-27	2027-29
EMS BAND 4	126,619	0.0		0.0		
EMS BAND 5	147,919	0.0		0.0		
EXCISE TAX EX 2	55,872	0.1	0.3	0.2	0.3	0.3
IT SYS ADM-JOURNEY	92,844	0.7	0.5	0.6		
MGMT ANALYST4	73,260	0.3	0.8	0.6	0.1	
TAX POLICY SP 2	75,120	0.6	0.2	0.4	0.2	0.2
TAX POLICY SP 3	85,020	0.1		0.0		
TAX POLICY SP 4	91,524	0.0		0.0		
WMS BAND 2	94,669	0.1		0.1		
WMS BAND 3	107,685	0.0		0.0		
Total FTEs		2.0	1.8	1.9	0.6	0.5

III. C - Expenditures By Program (optional)

NONE

Part IV: Capital Budget Impact

IV. A - Capital Budget Expenditures

NONE

IV. B - Expenditures by Object Or Purpose

NONE

IV. C - Capital Budget Breakout

Acquisition and construction costs not reflected elsewhere on the fiscal note and description of potential financing methods.

NONE

Part V: New Rule Making Required

Provisions of the bill that require the agency to adopt new administrative rules or repeal/revise existing rules.

Should this legislation become law, the department will use the expedited process to amend WAC 458-12-005, titled "Definition-Property-Personal." In addition, the department will use the standard process to adopt one new rule under Chapter 456-16 WAC. Persons affected by this rulemaking would include property owners who use personal property exclusively for the generation of renewable energy.

LOCAL GOVERNMENT FISCAL NOTE

Department of Commerce

Bill Number: 1756 HB

Title: Clean energy/tax changes

Part I: Jurisdiction-Location, type or status of political subdivision defines range of fiscal impacts.

Legislation Impacts:

- Cities:
- Counties: Increased costs for county assessors, increased revenue for counties
- Special Districts: Increased revenue for School Districts
- Specific jurisdictions only: Only counties with property tax exempt and excise taxes required will experience a revenue increase
- Variance occurs due to:

Part II: Estimates

- No fiscal impacts.
- Expenditures represent one-time costs:
- Legislation provides local option:
- Key variables cannot be estimated with certainty at this time:

Estimated revenue impacts to:

Jurisdiction	FY 2024	FY 2025	2023-25	2025-27	2027-29
County		25,500	25,500	208,250	327,250
Special District		25,500	25,500	208,250	327,250
TOTAL \$		51,000	51,000	416,500	654,500
GRAND TOTAL \$					1,122,000

Estimated expenditure impacts to:

Non-zero but indeterminate cost and/or savings. Please see discussion.

Part III: Preparation and Approval

Fiscal Note Analyst: Angie Hong	Phone: 360-725-5041	Date: 02/07/2023
Leg. Committee Contact: Tracey Taylor	Phone: 360-786-7152	Date: 02/03/2023
Agency Approval: Allan Johnson	Phone: 360-725-5033	Date: 02/07/2023
OFM Review: Cheri Keller	Phone: (360) 584-2207	Date: 02/07/2023

Part IV: Analysis

A. SUMMARY OF BILL

Description of the bill with an emphasis on how it impacts local government.

This bill creates a new property tax exemption that requires a corresponding, new excise tax for certain facilities generating renewable energy.

Section 1 adds a new chapter to chapter 84.36 RCW [Property tax exemptions] to exempt qualified personal property owned and used for the generation of renewable energy from state property taxes. This section describes how an exempt property owner files a claim for, attests to, applies for, and registers with the Dept. of Revenue to receive this exemption. "Personal property," "qualified personal property," and "renewable energy," are all defined.

Section 2 creates a new section to require a corresponding excise tax for taxpayers granted an exemption described in section 1. This section describes the excise tax rate. County assessors are responsible for providing a list of eligible taxpayers to the Dept. of Revenue along with other required information by August 1st each year.

Section 3 creates a new section to create the Renewable Energy Local Benefit (RELB) Account in the state treasury to hold deposits of receipts from excise taxes described in section 2. This section describes distributions from the RELB Account going to: a) a qualified county (42.5%), b) a qualified federally recognized Indian tribe (15%), c) a qualified school district (42.5%).

B. SUMMARY OF EXPENDITURE IMPACTS

Expenditure impacts of the legislation on local governments with the expenditure provisions identified by section number and when appropriate, the detail of expenditures. Delineated between city, county and special district impacts.

This bill will indeterminately increase the expenditures of county assessors due to additional workload requirements. County assessors will be required to provide a list of taxpayers granted an exemption along with other required information by August 1st of each year. It is unknown how many counties will be impacted due to eligible facilities within their jurisdiction. It is unknown how much time and resources this added workload requirement will require. Therefore, the expenditure increase is indeterminate.

C. SUMMARY OF REVENUE IMPACTS

Revenue impacts of the legislation on local governments, with the revenue provisions identified by section number, and when appropriate, the detail of revenue sources. Delineated between city, county and special district impacts.

This bill will increase the revenues of counties and special districts in counties that have "property tax exempt" and "excise taxes due" - eligible facilities within their boundaries.

Section 1 creates a revenue loss to the state due to a new state property tax exemption. Local governments are not impacted by this.

Section 3 creates a new account: the Renewable Energy Local Benefit (RELB) Account in the state treasury to hold deposits of receipts from the new excise taxes collected from state property tax-exempt facilities. This section describes distributions from the RELB Account going to:

- a) a qualified county (42.5%),
- b) a qualified federally recognized Indian tribe (15%),
- c) a qualified school district (42.5%).

According to the Dept. of Revenue, the RELB Account will collect the following amounts distributed as follows:

FISCAL YEAR	COLLECTED	42.5% COUNTIES	42.5% SPECIAL DISTRICTS
FY 2025 –	\$60,000	\$25,500	\$25,500
FY 2026 -	\$210,000	\$89,250	\$89,250
FY 2027 -	\$280,000	\$119,000	\$119,000

FY 2028 -	\$350,000	\$148,750	\$148,750
FY 2029 -	\$420,000	\$178,500	\$178,500

Remaining collected amounts will go to qualified federally recognized Indian tribes.

SOURCES

Dept. of Revenue

Individual State Agency Fiscal Note

Bill Number: 1756 HB	Title: Clean energy/tax changes	Agency: SDF-School District Fiscal Note - SPI
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Part I: Estimates

No Fiscal Impact

Estimated Cash Receipts to:

NONE

Estimated Operating Expenditures from:

Non-zero but indeterminate cost and/or savings. Please see discussion.

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: Tracey Taylor	Phone: 360-786-7152	Date: 02/03/2023
Agency Preparation: Michelle Matakas	Phone: 360 725-6019	Date: 02/06/2023
Agency Approval: TJ Kelly	Phone: (360) 725-6301	Date: 02/06/2023
OFM Review: Val Terre	Phone: (360) 280-3973	Date: 02/06/2023

Part II: Narrative Explanation

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

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

This bill creates a new property tax exemption and creates a new excise tax for certain facilities generating renewable energy.

Section 1 adds a new chapter to chapter 84.36 RCW [Property tax exemptions] to exempt qualified personal property owned and used for the generation of renewable energy from property taxes. This section describes how an exempt property owner files a claim for, attests to, applies for, and registers with the Dept. of Revenue to receive this exemption. "Personal property," "qualified personal property," and "renewable energy," are all defined.

Section 2 creates a new section to create an excise tax for taxpayers granted an exemption described in section 1. This section describes the excise tax rate. County assessors are responsible for providing a list of eligible taxpayers to the Dept. of Revenue along with other required information by August 1st each year.

Section 3 creates a new section to create the Renewable Energy Local Benefit (RELB) Account in the state treasury to hold deposits of receipts from excise taxes described in section 2. This section describes distributions from the RELB Account going to: a) a qualified county (42.5%), b) a qualified federally recognized Indian tribe (15%), c) a qualified school district (42.5%).

This act applies to taxes levied for collection in 2025 and thereafter.

II. B - Cash receipts Impact

Cash receipts impact of the legislation on the responding agency with the cash receipts provisions identified by section number and when appropriate, the detail of the revenue sources. Description of the factual basis of the assumptions and the method by which the cash receipts impact is derived. Explanation of how workload assumptions translate into estimates. Distinguished between one time and ongoing functions.

none.

II. C - Expenditures

Agency expenditures necessary to implement this legislation (or savings resulting from this legislation), with the provisions of the legislation that result in the expenditures (or savings) identified by section number. Description of the factual basis of the assumptions and the method by which the expenditure impact is derived. Explanation of how workload assumptions translate into cost estimates. Distinguished between one time and ongoing functions.

This bill is indeterminate to districts levy enrichment revenue because it is unknown which of their taxpayers will apply for exemption under section 2 of this bill.

Part III: Expenditure Detail

III. A - Operating Budget Expenditures

Non-zero but indeterminate cost and/or savings. Please see discussion.

III. B - Expenditures by Object Or Purpose

Non-zero but indeterminate cost and/or savings. Please see discussion.

III. C - Operating FTE Detail: *FTEs listed by classification and corresponding annual compensation. Totals agree with total FTEs in Part I and Part IIIA.*

NONE

III. D - Expenditures By Program (optional)

NONE

Part IV: Capital Budget Impact

IV. A - Capital Budget Expenditures

NONE

IV. B - Expenditures by Object Or Purpose

NONE

IV. C - Capital Budget Breakout

Acquisition and construction costs not reflected elsewhere on the fiscal note and description of potential financing methods.

NONE

IV. D - Capital FTE Detail: *FTEs listed by classification and corresponding annual compensation. Totals agree with total FTEs in Part IVB.*

NONE

Part V: New Rule Making Required

Provisions of the bill that require the agency to adopt new administrative rules or repeal/revise existing rules.