

Multiple Agency Fiscal Note Summary

Bill Number: 1768 HB	Title: Green businesses/utility tax
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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	(40,000)	(40,000)	(40,000)	(200,000)	(200,000)	(200,000)	(200,000)	(200,000)	(200,000)
Total \$	(40,000)	(40,000)	(40,000)	(200,000)	(200,000)	(200,000)	(200,000)	(200,000)	(200,000)

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
Joint Legislative Audit and Review Committee	.1	22,100	22,100	22,100	.0	0	0	0	.0	0	0	0
Department of Revenue	.6	169,900	169,900	169,900	.1	25,200	25,200	25,200	.1	25,200	25,200	25,200
Utilities and Transportation Commission	.0	0	0	0	.0	0	0	0	.0	0	0	0
Total \$	0.7	192,000	192,000	192,000	0.1	25,200	25,200	25,200	0.1	25,200	25,200	25,200

Estimated Capital Budget Expenditures

Agency Name	2023-25			2025-27			2027-29		
	FTEs	Bonds	Total	FTEs	Bonds	Total	FTEs	Bonds	Total
Joint Legislative Audit and Review Committee	.0	0	0	.0	0	0	.0	0	0
Department of Revenue	.0	0	0	.0	0	0	.0	0	0
Utilities and Transportation Commission	.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

Prepared by: Cheri Keller, OFM

Phone:
(360) 584-2207

Date Published:
Final 2/21/2023

Individual State Agency Fiscal Note

Bill Number: 1768 HB	Title: Green businesses/utility tax	Agency: 014-Joint Legislative Audit and Review Committee
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Part I: Estimates

No Fiscal Impact

Estimated Cash Receipts to:

NONE

Estimated Operating Expenditures from:

	FY 2024	FY 2025	2023-25	2025-27	2027-29
FTE Staff Years	0.1	0.0	0.1	0.0	0.0
Account					
General Fund-State 001-1	22,100	0	22,100	0	0
Total \$	22,100	0	22,100	0	0

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: 02/07/2023
Agency Preparation: Dana Lynn	Phone: 360-786-5177	Date: 02/09/2023
Agency Approval: Eric Thomas	Phone: 360 786-5182	Date: 02/09/2023
OFM Review: Gaius Horton	Phone: (360) 819-3112	Date: 02/14/2023

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.

The bill creates a new public utility exemption for certain sales of electricity to qualifying green businesses.

SECTION 1 adds a new section to chapter 82.16 RCW that creates a public utility tax exemption beginning October 1, 2023, and lasting 10 years from the date of commercial operation of a business, for sales of electricity by a light and power business to a qualifying business if:

- The commercial operation begins no later than July 1, 2033, and
- The contract for electricity sale to the business contains certain terms detailed in the bill.

Businesses using the preference must file an annual tax preference performance statement with the Department of Revenue. Terms used in the bill are defined. The section expires January 1, 2045.

TAX PERFORMANCE STATEMENT DETAILS

SECTION 2 is the tax preference performance statement that categorizes the preferences as intended to induce certain designated behavior by taxpayers, as indicated in RCW 82.32.808(2)(a).

The Legislature's specific public policy objective is to attract and retain renewable and clean hydrogen production facilities whose production outputs will be used in place of fossil fuel derived fuels and manufacturing feedstocks that they replace.

To measure the effectiveness of the tax preference, JLARC must, using calendar year 2022 as the baseline, evaluate the annual volumetric quantity of renewable hydrogen and green electrolytic hydrogen produced in the state, as well as the annual percentage of hydrogen produced in the state that is either green electrolytic hydrogen or renewable hydrogen.

The act takes effect October 1, 2023.

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.

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.

JLARC staff would contact and work with the Department of Revenue and other appropriate agencies immediately after passage of the bill to ensure project contacts are established and any other necessary data for JLARC staff's future evaluation needs are identified and collected. The tax preference is scheduled to expire January 1, 2045, but JLARC staff are required to review every tax preference over a 10-year schedule. To meet that requirement, JLARC will likely schedule this preference for review in 2033.

The expenditure detail reflects work conducted to prepare for the future review of the preferences. Costs associated with the review are not included in this fiscal note. This fiscal note reflects only the costs associated with establishing data collection.

This tax preference review may require additional resources. The audit will be conducted and presented to JLARC consistent with the processes used for other tax preference reviews. Based on all tax preference legislation that is passed,

JLARC may subsequently determine that it can absorb the costs for this proposed bill in its base budget, if the workload of other enacted tax preference legislation does not exceed current staffing. JLARC will assess all of the tax preference reviews mandated in the 2023 legislative session.

This audit will require an estimated 1 audit month.

JLARC Audit Months: JLARC calculates its staff resources in "Audit Months" to estimate the time and effort to undertake and complete its studies. An "Audit Month" reflects a JLARC analyst's time for a month, together with related administrative, support, and goods/services costs. JLARC's anticipated 2021-23 costs are calculated at approximately \$22,100 per audit month.

Part III: Expenditure Detail

III. A - Operating Budget Expenditures

Account	Account Title	Type	FY 2024	FY 2025	2023-25	2025-27	2027-29
001-1	General Fund	State	22,100	0	22,100	0	0
Total \$			22,100	0	22,100	0	0

III. B - Expenditures by Object Or Purpose

	FY 2024	FY 2025	2023-25	2025-27	2027-29
FTE Staff Years	0.1		0.1		
A-Salaries and Wages	14,300		14,300		
B-Employee Benefits	4,500		4,500		
C-Professional Service Contracts					
E-Goods and Other Services	3,000		3,000		
G-Travel	300		300		
J-Capital Outlays					
M-Inter Agency/Fund Transfers					
N-Grants, Benefits & Client Services					
P-Debt Service					
S-Interagency Reimbursements					
T-Intra-Agency Reimbursements					
9-					
Total \$	22,100	0	22,100	0	0

III. C - Operating FTE 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 2024	FY 2025	2023-25	2025-27	2027-29
Research Analyst	126,694	0.1		0.1		
Support staff	89,671					
Total FTEs		0.1		0.1		0.0

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.

Department of Revenue Fiscal Note

Bill Number: 1768 HB	Title: Green businesses/utility tax	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 35 - Public Utilities Tax		(40,000)	(40,000)	(200,000)	(200,000)
Total \$		(40,000)	(40,000)	(200,000)	(200,000)

Estimated Expenditures from:

	FY 2024	FY 2025	2023-25	2025-27	2027-29
FTE Staff Years	1.1	0.2	0.6	0.1	0.1
Account					
GF-STATE-State 001-1	147,900	22,000	169,900	25,200	25,200
Total \$	147,900	22,000	169,900	25,200	25,200

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: 02/07/2023
Agency Preparation: Alex Merk-Dyes	Phone: 60-534-1601	Date: 02/21/2023
Agency Approval: Marianne McIntosh	Phone: 60-534-1505	Date: 02/21/2023
OFM Review: Cheri Keller	Phone: (360) 584-2207	Date: 02/21/2023

Request # 1768-1-1

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.

CURRENT LAW:

The law does not provide public utility (PU) tax preferences or exemptions for selling electricity to businesses manufacturing or compressing hydrogen.

PROPOSAL:

Beginning October 1, 2023, this bill proposes a new PU tax exemption for light and power businesses that sell electricity to businesses using electricity to produce green electrolytic hydrogen or renewable hydrogen (qualifying businesses). This includes the compression, liquefaction, storage or dispensing of green electrolytic hydrogen or renewable hydrogen.

Green electrolytic hydrogen does not include hydrogen manufactured using steam reforming or produced from a fossil fuel feedstock. Renewable hydrogen manufacturing uses renewable resources and energy generated from renewable resources in the production process.

A qualifying business must:

- Start the commercial operation no later than July 1, 2023.
- Meter this electricity separately from the electricity used for general business operations.
- Receive a reduced price for the electricity equal to the exemption amount available to the light and power business.
- Not remarket or resell the exempted electricity.
- Provide the light and power business with an exemption certificate.

A light and power business may claim the PU tax exemption for 10 years from the date the qualifying businesses begins commercial operation.

A taxpayer receiving the benefit of this new tax preference must file an annual tax performance report.

The exemption expires January 1, 2045.

EFFECTIVE DATE:

The bill takes effect October 1, 2023.

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:

- Douglas County Public Utility District (PUD) broke ground on the only known green hydrogen production facility in Washington in March 2021. Additional facilities will increase the impacts of this exemption.
- Douglas County PUD anticipates green hydrogen production beginning June 2024. Fiscal year 2025 includes a full fiscal year of impacted collections.

DATA SOURCES:

- Douglas County PUD
- Taylor, J., (2023, February 16). "Douglas PUD Takes Another Stride Towards Hydrogen Plant." <https://kpq.com/douglas-pud-takes-another-stride-toward-hydrogen-plant/>

REVENUE ESTIMATES:

This bill decreases state revenues by \$40,000 in fiscal year 2025, the first full year of impacted collections.

TOTAL REVENUE IMPACT:

State Government (cash basis, \$000):

- FY 2024 - \$ 0
- FY 2025 - (\$ 40)
- FY 2026 - (\$ 100)
- FY 2027 - (\$ 100)
- FY 2028 - (\$ 100)
- FY 2029 - (\$ 100)

Local Government (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 bill affects 50 taxpayers selling electricity.

FIRST YEAR COSTS:

The Department of Revenue (department) will incur total costs of \$147,900 in fiscal year 2024. These costs include:

Labor Costs – Time and effort equate to 1.05 FTEs.

- Test and verify computer systems for new deduction.
- Create special notice and update relevant information on the department’s website.
- Implementation meetings and create and deliver training to staff.
- Process returns, examine accounts, review reported deductions, and make corrections as necessary.
- Develop and maintain annual tax incentive report questions.
- Review annual tax incentive report submissions, work to verify submission accuracy, and compile statistics and reports.
- Amend one administrative rule.

Object Costs - \$22,000.

- Computer system changes, including contract programming.

SECOND YEAR COSTS:

The department will incur total costs of \$22,000 in fiscal year 2025. These costs include:

Labor Costs – Time and effort equate to 0.2 FTE.

- Process returns, examine accounts, review reported deductions, and make corrections as necessary.
- Update and maintain annual tax incentive report questions.
- Review annual tax incentive report submissions, work to verify submission accuracy, and compile statistics and reports.

ONGOING COSTS:

Ongoing costs for the 2025-27 biennium equal \$25,200 and include similar activities described in the second-year costs. Time and effort equate to 0.1 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	1.1	0.2	0.6	0.1	0.1
A-Salaries and Wages	77,200	14,700	91,900	17,000	17,000
B-Employee Benefits	25,400	4,800	30,200	5,600	5,600
C-Professional Service Contracts	22,000		22,000		
E-Goods and Other Services	16,100	1,900	18,000	2,000	2,000
J-Capital Outlays	7,200	600	7,800	600	600
Total \$	\$147,900	\$22,000	\$169,900	\$25,200	\$25,200

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		
EXCISE TAX EX 3	61,632	0.1	0.1	0.1		
MGMT ANALYST4	73,260	0.5		0.3		
TAX POLICY SP 2	75,120	0.2		0.1		
TAX POLICY SP 3	85,020	0.2	0.1	0.2	0.1	0.1
TAX POLICY SP 4	91,524	0.0		0.0		
WMS BAND 3	107,685	0.0		0.0		
Total FTEs		1.1	0.2	0.6	0.1	0.1

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 458-20-179, titled: "Public utility tax." Persons affected by this rulemaking would include light and power businesses and green electrolytic facilities.

Individual State Agency Fiscal Note

Bill Number: 1768 HB	Title: Green businesses/utility tax	Agency: 215-Utilities and Transportation Commission
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Part I: Estimates

No Fiscal Impact

Estimated Cash Receipts to:

NONE

Estimated Operating Expenditures from:

NONE

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:

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- 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: 02/07/2023
Agency Preparation: Amy Andrews	Phone: 360-481-1335	Date: 02/10/2023
Agency Approval: Amy Andrews	Phone: 360-481-1335	Date: 02/10/2023
OFM Review: Tiffany West	Phone: (360) 890-2653	Date: 02/10/2023

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.

The UTC assumes no fiscal impact. The bill is related to DOR exempting certain sales of electricity to qualifying green businesses from the public utilities tax. The bill outlines when the public utility tax does not apply to sales of electricity and new definitions. It adds a section related to the tax preference performance statement and the intent to use the performance statement in the evaluation of the tax preference.

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.

Part III: Expenditure Detail

III. A - Operating Budget Expenditures

NONE

III. B - Expenditures by Object Or Purpose

NONE

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.