

Multiple Agency Fiscal Note Summary

Bill Number: 1756 S HB	Title: Energy/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	0	0	0	(328,000)	(328,000)	241,000	(938,000)	(938,000)	709,000
Total \$	0	0	0	(328,000)	(328,000)	241,000	(938,000)	(938,000)	709,000

Agency Name	2023-25		2025-27		2027-29	
	GF- State	Total	GF- State	Total	GF- State	Total
Local Gov. Courts						
Loc School dist-SPI	Fiscal note not available					
Local Gov. Other				483,650		1,399,950
Local Gov. Total				483,650		1,399,950

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	904,500	904,500	904,500	.6	126,200	126,200	126,200	.3	66,600	66,600	66,600
Total \$	1.9	904,500	904,500	904,500	0.6	126,200	126,200	126,200	0.3	66,600	66,600	66,600

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	Fiscal note not available								
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	Fiscal note not available								
Local Gov. Other	Non-zero but indeterminate cost and/or savings. Please see discussion.								
Local Gov. Total									

Estimated Capital Budget Breakout

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Prepared by: Cheri Keller, OFM	Phone: (360) 584-2207	Date Published: Preliminary 3/22/2023
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Department of Revenue Fiscal Note

Bill Number: 1756 S HB	Title: Energy/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 50 - Property Tax				(328,000)	(938,000)
NEW-State 00 - 00 -				569,000	1,647,000
Total \$				241,000	709,000

Estimated Expenditures from:

Account	FY 2024	FY 2025	2023-25	2025-27	2027-29
FTE Staff Years	1.4	2.4	1.9	0.6	0.3
GF-STATE-State 001-1	350,100	554,400	904,500	126,200	66,600
Total \$	350,100	554,400	904,500	126,200	66,600

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: 03/13/2023
Agency Preparation: Mark Studer	Phone: (605) 60-534-1507	Date: 03/20/2023
Agency Approval: Valerie Torres	Phone: (605) 60-534-1521	Date: 03/20/2023
OFM Review: Cheri Keller	Phone: (360) 584-2207	Date: 03/20/2023

Request # 1756-2-1

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.

Note: This fiscal note reflects language in SHB 1756, 2023 Legislative Session.

COMPARISON OF SUBSTITUTE BILL WITH ORIGINAL:

This substitute bill:

- Provides additional detail for the provision requiring taxpayers to repay exempt property taxes in the event a taxpayer receiving a property tax exemption under this act fails to pay the excise tax as required in section 2 of this act. This includes a requirement for the Department of Revenue (department) to notify the taxpayer of any unpaid excise tax required under section 2 of this act and giving the taxpayer 60 days to comply or forfeit the property tax exemption under section 1 of this act.
- Changes the qualifying requirements for a "renewable energy" facility from a facility that produces at least one megawatt of nameplate capacity of alternating current power to 10 megawatts of nameplate capacity of alternating current power.
- Changes the excise tax rate for a renewable energy storage system and provides separate tax rates for the 10-year and 15-year periods for the duration of the property tax exemption and imposition of the excise tax.
- Adds language that the department may recommend a change of the excise tax rate to the legislature to ensure the rate structure reflects changes in technology, capacity, markets incentives, and inflation.

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. 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 or storage 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 10 megawatts (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 generating systems granted a 15-year property tax exemption.
- \$80 per month per MW of nameplate capacity of solar renewable energy generating systems granted a 10-year property tax exemption.
- \$130 per month per MW of nameplate capacity of wind renewable energy generating systems granted a 15-year property tax exemption.
- \$150 per month per MW of nameplate capacity of wind renewable energy generating systems granted a 10-year property tax exemption.
- \$14 per month per megawatt hour (MWH) of storage capacity of renewable energy storage systems granted a 15- year property tax exemption.
- \$19 per month per MWH of storage capacity of renewable energy storage systems granted a 10- year property tax exemption.

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.
- Approximately 200 megawatt hours of renewable energy storage will be added each year of this estimate.
- 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.
- The average cost of qualifying personal property for a wind facility is approximately \$1.3 million per megawatt of nameplate capacity in 2025 and will decrease approximately 2% per year each year of this estimate period.

- The average cost of qualifying personal property for a renewable energy storage facility is approximately \$360,000 per megawatt hour of nameplate capacity in 2025 and will decrease approximately 2% per year each year of this estimate period.
- Because of construction time, the first facility begins production in calendar year 2026.
- Approximately two-thirds of the exempt property will be added to the tax roll prior to receiving the property tax exemption, resulting in a shift of property taxes.
- Approximately one-third of the exempt property will not be added to the tax roll prior to receiving the property tax exemption, resulting in a loss of state revenue.
- The proposed renewable energy excise tax impacts five months of collections in fiscal year 2026.
- Half the taxpayers will select the 10-year exemption and half will select the 15-year exemption.

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 approximately one-third of the value of these facilities not being added to the tax roll for state levy purposes prior to receiving the exemption.

The Economic and Revenue Forecast Council predicts the state property tax levy remains below the \$3.60 limit throughout the 2027-29 biennium. The two-thirds of the value of these facilities added to the tax roll results in a shift.

PROPERTY TAX SHIFTS:

This legislation results in a state levy shift to other taxpayers of an estimated \$307,000 for fiscal year 2026 and \$710,000 in fiscal year 2027, the first full fiscal year

TOTAL REVENUE IMPACT:

State Government (cash basis, \$000):

FY 2024 -	\$ 0
FY 2025 -	\$ 0
FY 2026 -	\$ 13
FY 2027 -	\$ 228
FY 2028 -	\$ 311
FY 2029 -	\$ 398

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

DETAIL OF REVENUE IMPACT:

State Government (cash basis, \$000): RENEWABLE ENERGY EXCISE TAX

FY 2024 - \$ 0
 FY 2025 - \$ 0
 FY 2026 - \$ 98
 FY 2027 - \$ 471
 FY 2028 - \$ 706
 FY 2029 - \$ 941

State Government (cash basis, \$000): PROPERTY TAX EXEMPTION

FY 2024 - \$ 0
 FY 2025 - \$ 0
 FY 2026 - (\$ 85)
 FY 2027 - (\$ 243)
 FY 2028 - (\$ 395)
 FY 2029 - (\$ 543)

DETAIL OF REVENUE IMPACT FOR PROPERTY TAX BILLS, Calendar Year Basis

State Government, Impact on Revenues (\$000):

CY 2024 - \$ 0
 CY 2025 - \$ 0
 CY 2026 - (\$ 162)
 CY 2027 - (\$ 317)
 CY 2028 - (\$ 467)
 CY 2029 - (\$ 612)

State Government, (\$000), Shift of Tax Burden:

CY 2024 - \$ 0
 CY 2025 - \$ 0
 CY 2026 - \$ 587
 CY 2027 - \$ 821
 CY 2028 - \$ 1,021
 CY 2029 - \$ 1,196

Local Government, Impact on Revenues (\$000): None

Local Government, (\$000), Shift of Tax Burden: 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 fewer than 300 property owners.

FIRST YEAR COSTS:

The department will incur total costs of \$350,100 in fiscal year 2024. These costs include:

Labor Costs - Time and effort equate to 1.44 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.
- Adopt two administrative rules.
- Create a Special Notice and identify website publications and information the department may need to create or update.
- Government-to-government meetings with tribes.
- Set up, program, and test computer system changes for new allocation and reports.

Object Costs - \$165,300

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

SECOND YEAR COSTS:

The department will incur total costs of \$554,400 in fiscal year 2025. These costs include:

Labor Costs - Time and effort equate to 2.4 FTEs.

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

Object Costs - \$255,700.

- Print and mail documents, correspondence, and returns.
- Travel for government-to-government meetings with tribes.
- Continue computer system changes, including contract programming.

ONGOING COSTS:

Ongoing costs for the 2025-27 biennium equal \$126,200 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	1.4	2.4	1.9	0.6	0.3
A-Salaries and Wages	115,100	190,500	305,600	79,700	40,800
B-Employee Benefits	37,900	62,800	100,700	26,200	13,400
C-Professional Service Contracts	165,000	253,000	418,000		
E-Goods and Other Services	22,200	33,200	55,400	12,600	6,600
G-Travel		2,000	2,000	4,000	4,000
J-Capital Outlays	9,900	12,900	22,800	3,700	1,800
Total \$	\$350,100	\$554,400	\$904,500	\$126,200	\$66,600

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	0.4	0.3	0.4	0.2
IT SYS ADM-JOURNEY	92,844	0.3	1.0	0.7		
MGMT ANALYST4	73,260	0.4	0.8	0.6	0.1	
TAX POLICY SP 2	75,120	0.2	0.1	0.2	0.1	
TAX POLICY SP 3	85,020	0.1		0.1		
TAX POLICY SP 4	91,524	0.1	0.1	0.1	0.1	0.1
WMS BAND 2	94,669	0.1		0.1		
WMS BAND 3	107,685	0.0		0.0		
Total FTEs		1.4	2.4	1.9	0.6	0.3

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 standard process to adopt two new rules, one under Chapter 458-16 WAC and one under Chapter 458-20 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 S HB

Title: Energy/tax

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				241,825	699,975
Special District				241,825	699,975
TOTAL \$				483,650	1,399,950
GRAND TOTAL \$					1,883,600

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: 03/21/2023
Leg. Committee Contact:	Phone:	Date: 03/13/2023
Agency Approval: Allan Johnson	Phone: 360-725-5033	Date: 03/21/2023
OFM Review: Cheri Keller	Phone: (360) 584-2207	Date: 03/21/2023

Part IV: Analysis

A. SUMMARY OF BILL

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

CHANGES FROM PREVIOUS BILL VERSION

This substitute bill:

- removes the use tax exemption
- adds ramifications for failing to pay excises tax due
- alters the definition of "renewable energy"
- adds a definition for "renewable energy storage capacity"
- alters the rate of the tax imposed on the capacity of the renewable energy storage system
- adds an option for the Dept. of Revenue to make recommendations to the legislature
- alters the appropriation to qualified federally recognized Indian Tribes (QFRIT): no longer "in proportion to the number of enrolled members of each QFRIT."
- alters the definition of QFRIT
- adds that 82.32 RCW have full force and application to these provisions, whether inconsistent or not.

SUMMARY OF CURRENT BILL VERSION

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 from state property taxes. This section describes how an exempt property owner files a claim for, attests to, applies for, is held accountable for unpaid excise taxes, 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.

CHANGES FROM PREVIOUS BILL VERSION

This substitute bill does not alter the previous analysis of expenditure impacts for county assessors.

SUMMARY OF CURRENT EXPENDITURE 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.

CHANGES FROM PREVIOUS BILL VERSION

Changes to this substitute bill increase revenue for counties and special districts and shift the first year of revenue collection from 2025 to 2026.

SUMMARY OF CURRENT REVENUE 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 2026 -	\$ 98,000	\$ 41,650	\$ 41,650
FY 2027 -	\$471,000	\$200,175	\$200,175
FY 2028 -	\$706,000	\$300,050	\$300,050
FY 2029 -	\$941,000	\$399,925	\$399,925

Remaining collected amounts (15%) will go to qualified federally recognized Indian tribes.

SOURCES

Dept. of Revenue