

Department of Revenue Fiscal Note

Bill Number: 6303 S SB	Title: Energy storage manufacturing	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 05 - Bus and Occup Tax				(7,700,000)	(18,400,000)
Total \$				(7,700,000)	(18,400,000)

Estimated Expenditures from:

	FY 2024	FY 2025	2023-25	2025-27	2027-29
FTE Staff Years		1.1	0.6	0.2	0.1
Account					
GF-STATE-State 001-1		344,300	344,300	36,900	27,000
Total \$		344,300	344,300	36,900	27,000

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.

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Agency Preparation: Alex Merk-Dyes	Phone: 60-534-1601	Date: 03/01/2024
Agency Approval: Valerie Torres	Phone: 60-534-1521	Date: 03/01/2024
OFM Review: Amy Hatfield	Phone: (360) 280-7584	Date: 03/05/2024

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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 SSB 6303, 2024 Legislative Session.

COMPARISON OF SUBSTITUTE BILL WITH ORIGINAL BILL:

The substitute bill:

- Removes the business and occupation (B&O) tax credit for each qualified manufacturing employment position created and maintained in a qualifying facility.
- Removes the expansion of the clean technology tax deferral.
- Adds green electrolytic hydrogen as an energy storage system category.

CURRENT LAW:

No tax incentives exist for manufacturers or processors for hire of energy storage systems and their components.

Manufacturers and processors for hire in Washington pay B&O tax at a rate of 0.484%.

Manufacturers also pay B&O tax on sales of manufactured products in Washington at the retailing rate of 0.471% or the wholesaling rate of 0.484%. They can take a Multiple Activities tax credit for the lesser of either the B&O tax on manufacturing or the B&O tax on the selling activity.

PROPOSAL:

This bill creates a preferential B&O tax rate of 0.275% for businesses engaged in manufacturing, processing for hire, or selling energy storage systems or component parts used to manufacture such systems.

An energy storage system is defined as a device capable of storing energy to supply electrical power at a later time.

This bill defines component parts as major components of energy storage systems including, but not limited to:

- Cathodes and anodes.
- Separators, membranes, and electrolytes.
- Battery modules, packs, and management systems.
- Silane and other industrial gases.
- Mechanical devices integral to the operation of energy storage systems.

Taxpayers reporting this preferential B&O tax rate must electronically file returns, correspondence, and an annual tax performance report.

This preferential B&O tax rate expires June 30, 2040.

EFFECTIVE DATE:

This bill takes effect on July 1, 2025.

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

- The preferential B&O rate takes effect July 1, 2025, and impacts 11 months of collections in fiscal year 2026.

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- Projects are operationally complete within one year after the facility construction begins.
- Large new clean technology structures are difficult to predict; therefore, this estimate assumes that no large new structures will be built in Washington. Large projects would significantly change the impacts assumed above.
- Additional qualifying facilities would increase the impact on the state revenues.

DATA SOURCES

- Department of Revenue, Excise tax data
- Online research

REVENUE ESTIMATES

This bill decreases state revenues by an estimated \$2.4 million in fiscal year 2026 and by \$5.3 million in fiscal year 2027.

TOTAL REVENUE IMPACT:

State Government (cash basis, \$000):

FY 2024 -	\$	0
FY 2025 -	\$	0
FY 2026 -	(\$	2,400)
FY 2027 -	(\$	5,300)
FY 2028 -	(\$	7,900)
FY 2029 -	(\$	10,500)

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 legislation will affect three to five taxpayers who manufacture and sell energy storage systems.
- Taxpayers claiming this new tax preference must file an annual tax performance report. These expenditures include the costs to implement this new tax preference.

FIRST YEAR COSTS:

The Department of Revenue (department) will not incur any costs in fiscal year 2024.

SECOND YEAR COSTS:

The department will incur total costs of \$344,300 in fiscal year 2025. These costs include:

Labor Costs – Time and effort equate to 1.13 FTEs.

- Set up, program, and test computer system changes to create new preferential rates and deductions.
- Program new multiple activities tax credits for energy storage system B&O classifications.
- Create a special notice regarding a new preferential rate for energy storage systems.
- Create and update web content concerning energy storage systems tax incentives.
- Create or update annual performance reports.
- Develop annual tax incentive report questions.

Object Costs - \$182,000.

- Contract computer system programming.
- Software, travel, and training.

THIRD YEAR COSTS:

The Department will incur total costs of \$23,400 in fiscal year 2026. These costs include:

Labor Costs – Time and effort equate to 0.2 FTE.

- Process returns, payments and all associated work items, including issuing assessments for return errors and underpayments.

- Assist taxpayers with reporting questions and respond to inquiries via email, web message, and paper correspondence.
- Examine accounts and make corrections as necessary.
- Maintain annual tax incentive report questions.
- Review annual tax incentive report submissions, work to verify submission accuracy, and compile statistics and reports.

Object Costs - \$500.

- Software, travel, and training.

FOURTH YEAR COSTS:

The Department will incur total costs of \$13,500 in fiscal year 2027. These costs include:

Labor Costs – Time and effort equate to 0.1 FTE.

- Maintain annual tax incentive report questions.
- Review annual tax incentive report submissions, work to verify submission accuracy, and compile statistics and reports.

Object Costs - \$500.

- Software, travel, and training.

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	0.6	0.2	0.1
A-Salaries and Wages		103,000	103,000	23,400	17,600
B-Employee Benefits		34,000	34,000	7,700	5,800
C-Professional Service Contracts		180,800	180,800		
E-Goods and Other Services		18,300	18,300	4,100	2,600
G-Travel		300	300	400	400
J-Capital Outlays		7,900	7,900	1,300	600
Total \$		\$344,300	\$344,300	\$36,900	\$27,000

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
EXCISE TAX EX 2	58,104				0.1	
IT B A-JOURNEY	91,968		0.5	0.3		
IT SYS ADM-JOURNEY	96,552		0.3	0.2		
TAX POLICY SP 2	78,120		0.1	0.0		
TAX POLICY SP 3	88,416		0.2	0.1	0.1	0.1
WMS BAND 2	98,456		0.0	0.0		
Total FTEs			1.1	0.6	0.2	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