

HOUSE BILL REPORT

HB 2665

As Reported By House Committee On:
Revenue

Title: An act relating to excise taxation of low-density light and power businesses.

Brief Description: Providing a gross receipts tax deduction for low-density light and power businesses.

Sponsors: Representatives G. Fisher, Fuhrman, Brown, Foreman, Bray, Campbell, Grant, Ballard, Rayburn, McMorris, Brumsickle, Dorn, Basich, Schoesler, Mastin, Kessler, Quall, Orr, Hansen, Silver, R. Johnson, Romero, Sheahan, Sheldon, Chappell, Lemmon, Jones, Moak, Springer, Roland and Morris.

Brief History:

Reported by House Committee on:
Revenue, February 8, 1994, DP.

HOUSE COMMITTEE ON REVENUE

Majority Report: Do pass. Signed by 11 members: Representatives G. Fisher, Chair; Holm, Vice Chair; Foreman, Ranking Minority Member; Fuhrman, Assistant Ranking Minority Member; Anderson; Brown; Caver; Leonard; Talcott; Thibaudeau and Van Luven.

Minority Report: Do not pass. Signed by 4 members: Representatives Cothorn; Romero; Rust and Wang.

Staff: Rick Peterson (786-7150).

Background: Public and privately-owned utilities, such as power and light, natural gas and water distribution companies, pay a gross receipts public utility tax instead of the Business and Occupation tax. There are four different public utility tax rates ranging from 0.642 percent on urban transportation activities to 5.029 percent on water distribution companies. The rate of 3.873 percent applies to light and power utilities. Utility businesses are not allowed to reduce their taxable gross receipts by the costs of doing business.

Summary of Bill: Light and power businesses with fewer than 17 customers per mile and with retail power rates greater than the state average may deduct from taxable gross

receipts a portion of wholesale power costs. The deduction is the least of the following three amounts:

1. (a) 25 percent of wholesale power costs when the utility has fewer than 5.5 customers per mile of line;
 - (b) 20 percent of wholesale power costs when the utility has more than 5.5 but less than 11 customers per mile of line;
 - (c) 15 percent of wholesale power costs when the utility has more than 11 but less than 17 customers per mile of line;
 - (d) 0 percent of wholesale power costs when the utility has more than 17 customers per mile of line;
2. wholesale power costs multiplied by the percentage by which average retail rates exceed the state average; or
 3. \$200,000 per month.

Fiscal Note: Available.

Effective Date: The bill takes effect July 1, 1994.

Testimony For: Small rural electric utilities have fewer customers per mile of line, and they purchase all their wholesale power from Bonneville Power Administration (BPA). This means they must charge more for electricity. Customers of rural electric utilities pay higher state taxes, because they paid higher electric rates, and the taxes are based on the gross. In addition, BPA raises wholesale power rates each year. Last year BPA raised rates by 15 percent. This increased the amount of taxes paid to the state by \$3.5 million. Another 10 percent increase in BPA rates is expected this year. There is a disparity in electric rates across the state. Some rural electrics have rates 30 percent higher than other lower cost utilities, so their customers pay 30 percent higher taxes.

Testimony Against: None.

Witnesses: Aaron Jones, Washington Rural Electric Cooperative; Gale Rettkowski, Lincoln Electric; Richard Rosenberg, OHOP Mutual It. Company; Bill McCeorie, Clallam PUD; and Dave Clinton, Inland Power & Light Company.