# FINAL BILL REPORT

# HB 2665

C 236 L 94
Synopsis as Enacted

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

By 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.

House Committee on Revenue
Senate Committee on Ways & Means

**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:** 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.

**Votes on Final Passage:**

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| House | 95 | 0 |
| Senate | 49 | 0 |

**Effective:** July 1, 1994