

SENATE BILL REPORT

SB 6528

AS OF FEBRUARY 3, 1994

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

SPONSORS: Senators Owen, Hochstatter, Loveland, M. Rasmussen, Ludwig, Morton, Bluechel, Prince and Cantu

SENATE COMMITTEE ON WAYS & MEANS

Staff: Terry Wilson (786-7715)

Hearing Dates: February 7, 1994

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 B&O 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 smallest 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.
3. \$200,000 per month.

Appropriation: none

Revenue: none

Fiscal Note: available

Effective Date: July 1, 1994

TESTIMONY FOR:

There is not tax loss because the tax deduction is based on rate increases. It helps rural electric users. Low density housing costs more to in infrastructure and energy costs. This just reduces the disparity between rural and urban.

TESTIMONY AGAINST: None

TESTIFIED: Senator Loveland, sponsor (pro); Aaron Jones, WRECA (pro); Dick Rosenberg, OHOP (pro); Tom Casey, WA State Grange (pro)