

February 23, 1999

**BILL ANALYSIS**

**TO:** Members, Committee on Economic Development, Housing, and Trade  
**FROM:** Kenny Pittman, Research Analyst (786-7392)  
**RE:** **HB 1687 - Creating an electric utility rural economic development revolving fund.**

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**Brief Summary of Bill**

- Provides a credit against the state's public utility tax for contributions made by a power and light business into a electric utility rural economic development revolving fund.
- Allows funds to be used to finance job creation or retention projects in qualifying rural areas.
- Requires the creation of a local board of directors to oversee the operation of the electric utility rural economic development revolving fund.

**BACKGROUND:**

The public utility tax is imposed on the gross receipts derived from utility operations of a business engaged in activities such as the supply of energy and transportation. The public utility tax is imposed instead of the business and occupation (B&O) tax on those portions of the business involving utility or transportation operations. However, the non-utility portions of the businesses' operations are subject to the state's B&O tax.

**SUMMARY:**

A public and utility tax credit is established. A power and light business is eligible for a tax credit equal to 50 percent of the contribution made directly to an electric utility rural economic development revolving fund that serves a qualifying rural area. No power and light business can receive more than \$100,000 in tax credits in a calendar year. The ability to claim the tax credit expires December 31, 2005

The contributions must be made to an electric utility rural economic development fund that serves a qualifying rural area. A qualifying rural area defined as a geographic area that (i) has a local electric utility that serves less than 25 meters per mile of distribution line; or (ii) is classified as rural by federal; or (iii) is considered economically disadvantaged under federal or state law due to low per capita income or high unemployment.

The electric utility rural economic development revolving fund must be governed by a local board of directors that includes at least three members appointed by the sponsoring electric utility. The board of directors has the authority determine criteria and conditions for the award of funds to projects designed to achieve job creation or business retention through adding or upgrading non-electrical infrastructure, health and safety facilities, or emergency services in qualifying rural areas. All repayments to the electric utility rural economic development revolving fund must be made available for additional qualifying projects.

Appropriation: None.

Fiscal Note: Requested February 19, 1999.

Effective Date: Ninety days after adjournment of session in which bill is passed.