

SENATE BILL REPORT

SB 5913

As Reported By Senate Committee On:
Environment, Energy & Water, February 23, 2001

Title: An act relating to a public utility tax deduction for expenditures that implement conservation elements of approved water system plans.

Brief Description: Allowing public utility tax deductions for improvements that result in more efficient use of water.

Sponsors: Senator Fraser.

Brief History:

Committee Activity: Environment, Energy & Water: 2/13/01, 2/23/01 [DPS-WM].

SENATE COMMITTEE ON ENVIRONMENT, ENERGY & WATER

Majority Report: That Substitute Senate Bill No. 5913 be substituted therefor, and the substitute bill do pass and be referred to Committee on Ways & Means.

Signed by Senators Fraser, Chair; Regala, Vice Chair; Eide, Hale, Jacobsen, McDonald, Morton and Patterson.

Staff: Genevieve Pisarski (786-7488)

Background: Together with other utility and transportation businesses operating in the state, water distribution businesses are taxed on their gross income. In the case of water utilities, 20 percent of the revenue generated is deposited in the public works assistance account and the rest in the general fund. Certain water-sewer districts and irrigation districts are exempt from the tax on gross income, according to a number of statutory criteria relating to size and revenue. Deductions from gross income that are currently allowed, among others, such as taxes levied by municipal utilities and proceeds from the sale of commodities to other water utilities, include proceeds that a nonprofit uses for capital improvements.

Summary of Substitute Bill: Expenditures to reduce customers' use of water that implement elements of the conservation plan within an approved water system plan are deducted from gross revenue. Supplying reclaimed water is not included. The Office of Financial Management, in consultation with the departments of Revenue, Health, and Ecology, evaluates the reduction in water use and the effect of this deduction and exclusion and reports to the Legislature by October 1, 2001. There is an expiration date of June 30, 2003.

Substitute Bill Compared to Original Bill: A statement of intent to give an incentive to water distribution businesses to reduce customers' use of water is added, with examples of measures that help reduce use of water. The Office of Financial Management will evaluate reduction in water use, in addition to revenue impact. Expiration date is added.

Appropriation: None.

Fiscal Note: Requested on February 9, 2001.

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

Testimony For: Incentives are needed to achieve conservation. The deduction should include any expenditures that conserve water, not just those that reduce customers' use, including supply of reclaimed water. A tax credit would be good. There should also be a sales tax exemption as an incentive to suppliers that are not subject to the public utility tax. Conservation standards should be established for the deduction.

Testimony Against: A comprehensive conservation strategy and drought management are needed. If the public pays for reduction in water use, the saved water should remain instream to benefit fish.

Testified: Bob Mack, Cities of Seattle, Tacoma, Spokane and Bellevue (pro); Josh Baldi, WEC (pro); Phil Watkins, City of Kennewick (pro); Steve Lindstrom, Sno-King Water District Coalition (pro w/concerns); Kathleen Collins, WA Water Policy Alliance (pro); Dave Williams, Assn. of WA Cities (pro); Joe Daniels, WA Assn. of Sewer/Water Districts (pro); Michael M. Moran, Muckleshoot Indian Tribe (con); Jim Miller, City of Everett (pro).