Washington State
House of Representatives
Office of Program Research

BILL ANALYSIS

Technology, Telecommunications & Energy Committee

HB 2675

Brief Description: Modifying electric utility tax credit provisions.

Sponsors: Representatives McMorris, Morris, Bush and Crouse.

Brief Summary of Bill

- Extends expiration date of tax credit from December 31, 2005 to June 30, 2011.
- Changes period over which contributions are measured for purposes of determining the amount of tax credit allowed from a calendar year to any fiscal year.

Hearing Date: 1/23/04

Staff: Kiki Keizer (786-7109).

Background:

In 1999, the Legislature passed a law creating a number of tax incentives in rural counties. One of the incentives created a tax credit for light and power businesses that contribute to an electric utility rural economic development revolving fund.

In order to receive the tax credit, a light and power business must set up an electric utility rural economic development revolving fund that is devoted exclusively to funding projects, in qualifying rural areas, that are designed to achieve job creation or business retention; to add or upgrade nonelectrical infrastructure, health and safety facilities, or emergency services; or to make energy and water use efficiency improvements, including renewable energy development. An electric utility rural economic development revolving fund must be governed by a board that meets certain statutory requirements.

Under current law, a qualifying rural area is defined as either (1) a rural county, which is a county with a population density of less than 100 persons per square mile (as determined by the office of financial management and published each year for the period July 1st to June 30th) or (2) any geographic area in the state that receives electricity from a light and power business with 12,000 or fewer customers and with fewer than 26 meters per mile of distribution line (as determined and published by the Department of Revenue effective July 1st of each year). The Department shall use current data provided by the electricity industry.

The Legislature stated that its intent in creating this tax credit was to complement rural economic development efforts by creating a public utility tax offset program to help establish locally based electric utility revolving fund programs to be used for economic development and job creation.

Under the law, the tax credit is equal to 50 percent of the contribution and is limited to $25,000 per business annually. Total tax credits under the law are limited to $350,000 annually. The ability to earn the tax credit expires December 31, 2005.

Summary of Bill:

The definition of "qualifying rural area" changes to mean (1) a rural county with a population density of less than 100 persons per square mile on the date of the contribution to an electric utility rural economic development revolving fund (as determined by the office of financial management) or (2) any geographic area in the state that receives electricity from a light and power business with 12,000 or fewer customers.

The requirement that a light and power business have fewer than 26 active meters per mile of distribution line in any geographic area in the state in order to qualify for the tax credit is eliminated.

The period over which contributions are measured for purposes of determining the amount of tax credit that a light and power business is allowed changes from a calendar year to a fiscal year.

Contributions to an electric utility rural economic development revolving fund made between January 1, 2004 and March 31, 2004 (1) are not subject to the limit of $350,000 in total tax credits that may be used in any fiscal year for the period of July 1, 2004 through December 31, 2004, and (2) the tax credit is limited to $37,700 for the fiscal year ending June 30, 2005.

The expiration date of the tax credit is extended from December 31, 2005 to June 30, 2011.

Appropriation: None.

Fiscal Note: Requested on January 19, 2004.

Effective Date: The bill takes effect on July 1, 2004.