
SENATE BILL 6460

State of Washington

54th Legislature

1996 Regular Session

By Senators Fraser, Swecker, Haugen, Rasmussen and Winsley; by request of Governor Lowry

Read first time 01/15/96. Referred to Committee on Ecology & Parks.

1 AN ACT Relating to public utility tax credits for water
2 conservation activities; adding new sections to chapter 82.16 RCW;
3 creating a new section; and providing an effective date.

4 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

5 NEW SECTION. **Sec. 1.** As stated in RCW 90.54.020 and 90.54.180, it
6 is the fundamental water policy of this state to encourage the
7 conservation of water, particularly where conservation may provide a
8 new source of supply for future water needs, and to provide incentives
9 for conservation and water use efficiency. The legislature recognizes
10 that the conservation of water requires action by water suppliers and
11 water users. Water suppliers conserve water through maintenance and
12 upgrading of the supply system and through increased efficiency in
13 delivery. Water users conserve water through changes in the way water
14 is used and applied. Although many water utilities are engaged in
15 conservation activities and projects, the legislature finds that many
16 water distribution businesses need additional encouragement and
17 incentive to undertake conservation activities. Therefore it is the
18 intent of the legislature to grant a public utility tax credit to

1 qualifying businesses undertaking certain water conservation
2 activities.

3 NEW SECTION. **Sec. 2.** A new section is added to chapter 82.16 RCW
4 to read as follows:

5 The following definitions apply to section 3 of this act, unless
6 the context clearly requires otherwise.

7 (1) "Consumer-related water conservation activities" means those
8 water conservation activities and projects as defined in subsection (4)
9 of this section that reduce water demand and that are undertaken by
10 customers of water distribution businesses.

11 (2) "Quantifiable savings" means reductions in demand that persist
12 over several years and can be verified using accepted evaluation
13 methods. Accepted evaluation methods include metering, engineering
14 analysis, statistical analysis of billed consumption, and customer
15 surveys.

16 (3) "Tangible measures" means equipment, hardware, or fixtures that
17 last three years or longer.

18 (4) "Water conservation activities" means activities and projects
19 undertaken in existing water supply systems to reduce waste or loss of
20 water, to conserve water, or to increase system or water use
21 efficiency, such as: Repair or replacement of leaking pipes; lining of
22 ditches; installation, repair, or upgrade of water metering devices;
23 retrofitting of customer water fixtures and devices, such as low-flow
24 toilets and showerheads; and other like activities and measures.
25 "Water conservation activities" does not include changes in behavior or
26 routine, such as lawn watering restrictions or curtailment of car
27 washing, and does not include expansion of water supply systems to
28 increase system capacity or to service new customers.

29 NEW SECTION. **Sec. 3.** A new section is added to chapter 82.16 RCW
30 to read as follows:

31 (1)(a) Subject to preapproval under subsection (3) of this section,
32 a water distribution business is allowed a credit against taxes imposed
33 in RCW 82.16.020 (1)(g) and (2) equal to amounts rebated to customers
34 for actual consumer-related water conservation activities. Rebates to
35 customers for individual activities or measures that are not tangible
36 measures and do not have quantifiable savings are not eligible for a
37 tax credit under this subsection.

1 (b) A water distribution business may not take credits of more than
2 one hundred fifty thousand dollars in any calendar year under this
3 subsection (1). Rebates in excess of the annual credit limit may be
4 carried forward, but not beyond June 30, 1999, and the carried-forward
5 rebate may not be used to exceed the one hundred fifty thousand dollar
6 annual credit limit. Rebates made after June 30, 1999, do not qualify
7 for the credit under this section.

8 (c) The total credits taken for all water distribution businesses
9 under this subsection (1) shall not exceed:

10 (i) During the fiscal year ending June 30, 1997, four million
11 dollars;

12 (ii) During the fiscal year ending June 30, 1998, three million
13 dollars; and

14 (iii) During the fiscal year ending June 30, 1999, three million
15 dollars.

16 (2)(a) Subject to preapproval under subsection (3) of this section,
17 a water distribution business that has gross income of less than three
18 million dollars is allowed a credit against taxes imposed in RCW
19 82.16.020 (1)(g) and (2) equal to amounts expended for capital
20 construction for water conservation activities other than consumer-
21 related water conservation activities.

22 (b) A water distribution business may not take credits under this
23 subsection (2) of more than one hundred fifty thousand dollars during
24 any calendar year. Expenditures in excess of the annual credit limit
25 may be carried forward, but not beyond June 30, 2006, and the carried-
26 forward expenditure may not be used to exceed the one hundred fifty
27 thousand dollar annual credit limit. Expenditures made after June 30,
28 1999, qualify for the credit under this section only if the expenditure
29 was approved before June 30, 1999.

30 (c) The total credits taken by all water distribution businesses
31 under this subsection (2) shall not exceed the following amounts:

32 (i) During the fiscal year ending June 30, 1997, nine million
33 dollars;

34 (ii) During the fiscal year ending June 30, 1998, seven million
35 dollars; and

36 (iii) During the fiscal year ending June 30, 1999, seven million
37 dollars.

38 (3)(a) The departments of revenue and health shall jointly
39 administer a preapproval process, track the availability of individual

1 credits, and determine if the limitations under subsections (1) and (2)
2 of this section have been reached. If it is determined that the
3 limitations for a year under subsection (1)(c) or (2)(c) of this
4 section will be exceeded or have been reached, the departments shall
5 approve qualifying expenditures and rebates, but the credits may be
6 carried forward subject to the requirements of subsection (1)(b) or
7 (2)(b) of this section. For water distribution businesses required by
8 the department of health to have a water system plan, only those
9 activities and projects identified in such a plan and approved by the
10 department of health are eligible for a credit under this section.

11 (b) As part of the preapproval process, a water distribution
12 business must complete a credit certificate. The credit certificate
13 shall be in substantially the following form:

14 The undersigned hereby certifies that it intends to expend for
15 rebates or for capital construction dollars. The
16 undersigned further certifies that the expenditures or rebates
17 are exclusively for conservation activities as defined in
18 section 2 of this act and that administrative or program
19 expenses are not included in this amount and that the rebates,
20 expenditures, or conservation activities will be undertaken
21 after July 1, 1996.

22 DATED..... 199. By.....
23 (Title - Officer or agent)
24 Address.....
25
26 Department of Revenue Registration No.
27

28 Approve:
29
30
31 Authorized agents of departments of revenue and health

32 (c) The departments of revenue and health shall approve or deny the
33 certification within sixty days of receipt. The departments may
34 require the water distribution business to submit supporting documents
35 such as plans, bids, contracts, and other like documents. If the
36 certification is denied the water distribution business may request a

1 review of the decision. The departments shall jointly review the
2 decision and submit the results of the review to the water distribution
3 business in writing within thirty days. The administrative review and
4 appeal provisions of chapter 82.32 RCW apply to any actions of the
5 department of revenue under this program by which a water distribution
6 business is adversely affected.

7 (4) A water distribution business may not receive credits for
8 amounts related to administration of the credits under this section or
9 administration of a conservation program.

10 (5) The credits taken under this section for each calendar year may
11 not exceed the amount of tax that would otherwise be due under this
12 chapter for that calendar year.

13 (6) Credit may not be received for amounts expended before the
14 effective date of this act.

15 (7) New applications may not be received after June 30, 1999.
16 Credits may not be received after June 30, 1999, for rebates, and after
17 June 30, 2006, for expenditures.

18 (8) A water distribution business may not receive a credit for
19 expenditures for which the water distribution company has received or
20 expects to receive a tax credit or deduction under other provisions of
21 this chapter or any other section or chapter of the Revised Code of
22 Washington.

23 (9) If the water distribution business is not eligible for the tax
24 credit for any reason the amount of taxes for which any credit has been
25 used is immediately due. Penalty and interest applicable to delinquent
26 taxes shall be imposed, with the due date of the taxes being the date
27 the ineligibility is discovered.

28 NEW SECTION. **Sec. 4.** This act shall take effect July 1, 1996.

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