

SENATE BILL REPORT

SB 6283

As Passed Senate, February 9, 1996

Title: An act relating to excise taxation of low-density light and power businesses.

Brief Description: Increasing tax deductions available to low-density light and power businesses.

Sponsors: Senators Rasmussen, Owen, Hochstatter, Loveland, Snyder, Morton, Newhouse, Finkbeiner, Prince, Spanel, Sellar, McDonald, A. Anderson, Moyer, Swecker, Winsley and Roach.

Brief History:

Committee Activity: Energy, Telecommunications & Utilities: 1/23/96 [DP].
Passed Senate, 2/9/96, 47-0.

SENATE COMMITTEE ON ENERGY, TELECOMMUNICATIONS & UTILITIES

Majority Report: Do pass.

Signed by Senators Sutherland, Chair; Loveland, Vice Chair; Finkbeiner, Hochstatter and Owen.

Staff: Phil Moeller (786-7445)

Background: Light and power businesses pay the state utility tax of 3.873 percent factored against their gross revenues. Depending on the elasticity of demand for electricity as it relates to price and the growth of customers in a service territory, utility tax revenues are likely to increase when a utility's wholesale cost of power rises.

Electric utilities in Washington vary greatly in the customer density of their systems. Utilities with low densities of customers (as measured per line of mile) are often challenged with fixed plant costs similar to denser utilities but with fewer customers to generate revenue.

Summary of Bill: The amount of deductions against gross income allowed for low-density electric utilities is increased for purposes of computing the public utility tax.

For electric utilities with fewer than five and one-half customers per mile of line, the deduction is changed from 25 to 50 percent of the wholesale power cost paid by the utility.

For electric utilities with between five and one-half and 11 customers per mile of line, the deduction is changed from 20 to 40 percent of the wholesale power cost paid by the utility.

For electric utilities with between 11 and 17 customers per mile of line, the deduction is changed from 15 to 30 percent of the wholesale power cost paid by the utility.

The maximum allowed deduction for any electric utility is changed from \$200,000 per month to \$400,000 per month.

Appropriation: None.

Fiscal Note: Requested on January 23, 1996.

Effective Date: The bill takes effect on July 1, 1996.

Testimony For: This bill expands on the policy adopted by the Legislature in 1994. It helps compensate low density electric utilities for the higher amount of taxes paid proportionally by their consumers.

Testimony Against: None.

Testified: Senator Rasmussen, prime sponsor; Gerald Ritz, Ohop Mutual Light Co. (pro); Bill Yee, Skamania Co. PUD (pro).