

HOUSE BILL REPORT

HB 2644

As Passed Legislature

Title: An act relating to temporarily increasing the statewide cap for the public utility tax credit provided by RCW 82.16.0497.

Brief Description: Increasing temporarily the statewide cap for the customer assistance public utility tax credit.

Sponsors: By Representatives P. Sullivan, Crouse and Kilmer; by request of Department of Trade and Economic Development.

Brief History:

Committee Activity:

Technology, Energy & Communications: 1/19/06 [DP];

Finance: 1/25/06, 1/27/06 [DP].

Floor Activity:

Passed House: 2/10/06, 98-0.

Senate Amended.

Passed Senate: 3/7/06, 48-0.

House Concurred.

Passed House: 3/8/06, 98-0.

Passed Legislature.

Brief Summary of Bill

- Increases by \$3 million the statewide cap on the public utility tax credit for qualifying contributions and billing discounts made by a utility for the purpose of providing home energy assistance to low-income households, for Fiscal Year 2007 only.

HOUSE COMMITTEE ON TECHNOLOGY, ENERGY & COMMUNICATIONS

Majority Report: Do pass. Signed by Representatives Morris, Chair; Kilmer, Vice Chair; Crouse, Ranking Minority Member; Haler, Assistant Ranking Minority Member; Ericks, Hankins, Hudgins, P. Sullivan, Sump, Takko and Wallace.

Staff: Mark Matteson (786-7145).

HOUSE COMMITTEE ON FINANCE

Majority Report: Do pass. Signed by 10 members: Representatives McIntire, Chair; Hunter, Vice Chair; Orcutt, Ranking Minority Member; Roach, Assistant Ranking Minority Member; Ahern, Condotta, Conway, Ericks, Hasegawa and Santos.

Staff: Mark Matteson (786-7145).

Background:

Low-Income Home Energy Assistance Program. Assistance to low-income energy customers is provided through a federal block-grant program that allocates funds to the states. The program, known as Low-Income Home Energy Assistance Program (LIHEAP), is administered by the Department of Community, Trade and Economic Development (DCTED).

The LIHEAP grants are distributed to qualifying households through a service network of 24 nonprofit community organizations and three local governments. The grants are used to pay a portion of winter heating costs for low-income customers. Qualifying customers are those who are at or below 125 percent of the federal poverty level.

According to the DCTED, Washington received \$41.6 million in federal LIHEAP funds in federal Fiscal Year 2005. These moneys were used to provide assistance to roughly 72,000 households.

Public Utility Tax. Public and privately-owned utilities are subject to the state public utility tax (PUT). The PUT is applied to the gross receipts of the business. The tax rate depends on the utility classification. For light and power businesses, the applicable tax rate is 3.873 percent. For gas distribution businesses, the rate is 3.852 percent. Revenues are deposited to the State General Fund.

The PUT does not allow deductions for the costs of doing business, such as payments for raw materials and wages of employees. Nonetheless, a number of exemptions, credits, deductions, and other preferences have been enacted for specific types of business activities.

In the 2001 legislative session, in the wake of price spikes in the wholesale electricity market, the Legislature enacted a credit against the PUT for qualifying contributions and billing discounts made by gas and electric utilities to qualifying low-income customers. Qualifying contributions are amounts provided to supplement LIHEAP grants to nonprofit community organizations that assist in the administration of such grants. Billing discounts are reductions in the amount charged for providing service to persons eligible for such grants. To qualify for the credit, the utility's billing discounts or qualifying contributions must be at least 125 percent greater than discounts or contributions given by the utility in 2000. The amount of the credit for each utility is equal to one-half the total discounts and contribution given in a fiscal year.

The maximum total credit available statewide each year is \$2.5 million. Each utility is also limited to a maximum credit amount based on its proportional share of energy assistance grants received by its low-income customers. Any credit that is not used in a fiscal year

lapses for that utility and may be reapportioned to other qualifying utilities. The total credit available to a utility is its maximum available credit plus any portion of unused credits that are reapportioned to it.

In state Fiscal Year 2005, almost \$2.5 million was earned as credits against the PUT under the program.

Summary of Bill:

The total amount of credit available statewide under the public utility tax credit program for qualifying contributions and billing discounts is temporarily increased to \$5.5 million for state Fiscal Year 2007 alone.

Appropriation: None.

Fiscal Note: Available.

Effective Date: The bill takes effect on July 1, 2006.

Testimony For: (Technology, Energy & Communications) This is one of several measures introduced this session to address the growing demand for energy assistance. This bill allows utilities an opportunity to provide greater resources to a program first enacted in 2001 which is a complement to the federal Low Income Home Energy Assistance Program (LIHEAP). Under the federal program, there are over 300,000 low-income households that qualify for assistance according to the 2000 census. However, federal funding in the most recent fiscal year was only enough to serve between 60,000 to 70,000 households. This bill will further meet demand.

The cold snap in early December and the dramatic recent increases in natural gas prices were a double-blow to eastern Washington households, especially low-income ones. This bill will mitigate the economic hardships from increased energy costs. It will keep low-income households connected with the services they need.

Testimony For: (Finance) This is one of three executive branch request bills on the subject of providing home energy assistance to households. This bill increases the public utility tax credit under the program that provides additional assistance to households that qualify for Low Income Home Energy Assistance Program grants. The amount of increased credit in the bill should substantially increase the number of families assisted.

Testimony Against: (Technology, Energy & Communications) None.

Testimony Against: (Finance) These are new tax loopholes that would be added to the more than 400 tax loopholes. The Service Employees International Union believes that the Legislature should reject any new loophole until two important criteria are met. First, the Legislature must enact accountability and disclosure legislation that would broadly address all loopholes, to ensure any tax loophole is an effective use of taxpayer dollars. Currently, there are no standards for creating jobs, never mind what kind of jobs are being created. There is no disclosure of what companies that receive the benefit of tax loopholes are doing with that money that benefits the public interest. Just as this Legislature and the public passed

measures last year concerning the audit and accountability of programs and services, we need the same sort of audits and accountability for tax loopholes. Without this kind of accountability and disclosure, we are irresponsibly throwing tax dollars at corporations, while meanwhile hundreds of thousands of low-income children and families lack health care, nursing homes are going bankrupt, and child care workers live in poverty.

Second, the Legislature should reject any new tax loophole until real progress is made toward tax fairness in this state. The lowest 20 percent of earners, which includes our members, pay 17 percent of their income in state and local taxes, while the wealthiest pay only 3 percent of their income in state and local taxes. While corporate interest after corporate interest sends their lobbyist to Olympia to seek tax loopholes on syrup sales, canned salmon, real estate commissions, or country clubs, our members struggle every day to make ends meet under the most regressive tax system in the nation. The public understands that the working and middle class is paying more than its fair share in taxes and that the wealthy are not. They also know that this endless stream of tax loopholes coming out of Olympia adds to the unfairness that increases to their tax burden.

Persons Testifying: (Technology, Energy & Communications) (In support) Will Graham, Department of Community, Trade and Economic Development; Gil Brewer, Department of Revenue; Larry Stuckart, Spokane Neighborhood Action Program; Chuck Eberdt, The Energy Project; and Collins Sprague, Avista Corporation.

Persons Testifying: (Finance) Collin Sprague, AVISTA Corporation; and Will Graham, Community Trade and Economic Development.

Persons Signed In To Testify But Not Testifying: (Technology, Energy & Communications) None.

Persons Signed In To Testify But Not Testifying: (Finance) None.