FINAL BILL REPORT
ESHB 2675

C 238 L 04
Synopsis as Enacted

Brief Description: Modifying electric utility tax credit provisions.

Sponsors: By House Committee on Technology, Telecommunications & Energy (originally sponsored by Representatives McMorris, Morris, Bush and Crouse).

House Committee on Technology, Telecommunications & Energy
House Committee on Finance
Senate Committee on Economic Development
Senate Committee on Ways & Means

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; add or upgrade nonelectrical infrastructure, health and safety facilities, or emergency services; or 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, appointed by the sponsoring electric utility, that meets certain statutory requirements. The board must have at least three members representing local businesses and community groups, or it must be a board of directors of an existing associate development organization serving the qualified rural area. Board members must live or work in the qualifying rural area served by the light and power business. The board is authorized to determine all criteria and conditions for expenditure of funds on qualifying projects.

A qualifying rural area is defined as a county with a population density of less than one hundred persons per square mile or a geographic region that receives electricity from a light and power company with 12,000 or fewer customers and with fewer than 26 meters per mile of distribution line.

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 a light and power business's 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:

The expiration date of a tax credit for contributions to an electric utility rural economic development revolving fund is extended from December 31, 2005, to June 30, 2011. The period over which contributions are measured for purposes of determining the amount of tax credit allowed is changed from a calendar year to any fiscal year. A benchmark for measuring whether the tax credit has been effective in encouraging rural economic development is established at $4.75 million in capital investment over a five year period.

Credits earned from expenditures made between January 1, 2004, and March 31, 2004, must not be considered in computing the statewide limitation of $350,000 for the period July 1, 2004, through December 31, 2004. In addition, for the fiscal year ending June 30, 2005, the credit allowed per business is limited to $37,500.

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.

Votes on Final Passage:

House	91	2	
Senate	45	0	(Senate amended)
House	96	1	(House concurred)

Effective: July 1, 2004