

SENATE BILL REPORT

ESHB 2675

As Reported By Senate Committee On:
Economic Development, February 20, 2004
Ways & Means, March 1, 2004

Title: An act relating to electric utility tax credits.

Brief Description: Modifying electric utility tax credit provisions.

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

Brief History:

Committee Activity: Economic Development: 2/20/04 [DPA].

Ways & Means: 3/1/04 [DPA (EC)].

SENATE COMMITTEE ON ECONOMIC DEVELOPMENT

Majority Report: Do pass as amended.

Signed by Senators T. Sheldon, Chair; Hale, Murray, B. Sheldon and Shin.

Staff: Jack Brummel (786-7428)

SENATE COMMITTEE ON WAYS & MEANS

Majority Report: Do pass as amended by Committee on Economic Development.

Signed by Senators Zarelli, Chair; Hewitt, Vice Chair; Parlette, Vice Chair; Carlson, Doumit, Fairley, Fraser, Hale, Honeyford, Johnson, Pflug, Prentice, Rasmussen, Regala, Roach, Sheahan, B. Sheldon and Winsley.

Staff: Terry Wilson (786-7433)

Background: The Legislature adopted a number of measures in 1999 to aid economic development in rural areas of the state. One measure was the creation of a public utility tax credit to help establish locally based electric utility revolving funds to be used for economic development and job creation. The credit is provided to light and power businesses that have fewer than 26 meters per mile of distribution line in any geographic area and that create and donate to a rural revolving fund. The credit is equal to 50 percent of the donation and is limited to \$25,000 per calendar year per business. Total credits are limited to \$350,000 per fiscal year.

Rural areas that qualify for the tax are (1) counties with population densities of less than 100 persons per square mile; and (2) any area receiving electricity from a company with 12,000 or fewer customers and fewer than 26 meters per mile of distribution line.

The Department of Revenue has found the credit complex to administer because of its references to both calendar and fiscal years. The department has found that the eligibility requirement of fewer than 26 meters per mile does not serve a purpose because all electric utilities in the state have a least one mile of distribution with 26 or fewer meters.

The right to earn a tax credit is terminated on December 31, 2005.

Summary of Amended Bill: The determination of whether a rural county meets the population density requirements of the bill is made as of the date a contribution to an electric utility rural economic development revolving fund is made. References to fewer than 26 meters per mile of distribution line are removed. References to calendar years are replaced by references to fiscal years.

The right to earn a tax credit is terminated on June 30, 2011.

Because of the change from calendar year to fiscal year, credits earned for company contributions during the first part of 2004 are not considered in determining the statewide credit limit, and may be taken for up to \$37,000 for the fiscal year ending June 30, 2005. Utilities may work through associate development organizations to create revolving funds.

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.

Board members of an electric utility rural economic development revolving fund must live or work in the area served by the light and power business that contributes to the revolving fund.

Amended Bill Compared to Substitute Bill: The amendment provides the boards of existing economic development organizations may serve as a local board for purposes of administering a revolving fund. The amendment also provides that local boards may establish an account with a sponsoring utility's money.

Appropriation: None.

Fiscal Note: Available.

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

Testimony For (Economic Development): These funds help local economic development projects. Small cities rely on these funds. The bill's technical fixes will help with administration of the program.

Testimony Against (Economic Development): None.

Testified (Economic Development): PRO: Dave Clinton, WA Rural Electric Cooperative Assn.; Ann Solwick, Dept. of Revenue; Victoria Lincoln, Assoc. of WA Cities.

Testimony For (Ways & Means): None.

Testimony Against (Ways & Means): None.

Testified (Ways & Means): No one.