

# SENATE BILL REPORT

## SB 6297

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As Reported By Senate Committee On:  
Economic Development, January 30, 2004

**Title:** An act relating to electric utility tax credits.

**Brief Description:** Modifying electric utility tax credit provisions.

**Sponsors:** Senators Morton, T. Sheldon and Hale.

**Brief History:**

**Committee Activity:** Economic Development: 1/28/04, 1/30/04 [DPS].  
Ways & Means: 2/5/04.

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### SENATE COMMITTEE ON ECONOMIC DEVELOPMENT

**Majority Report:** That Substitute Senate Bill No. 6297 be substituted therefor, and the substitute bill do pass.

Signed by Senators T. Sheldon, Chair; Zarelli, Vice Chair; Benton, Hale, Kohl-Welles, Murray, Schmidt, B. Sheldon and Shin.

**Staff:** Jack Brummel (786-7428)

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### SENATE COMMITTEE ON WAYS & MEANS

**Staff:** Catherine Suter (786-7442)

**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 Substitute 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 the revolving funds.

**Substitute Bill Compared to Original Bill:** The original bill was not considered.

**Appropriation:** None.

**Fiscal Note:** Available.

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

**Testimony For (Economic Development):** This fund is critical to local economic development projects. Small cities are relying on these funds. The rural electric cooperatives have used these funds to create jobs. Although small, the program helps leverage projects that otherwise might not happen. The changes in the bill will ease the administration.

**Testimony Against (Economic Development):** None.

**Testified (Economic Development):** Senator Morton, prime sponsor; Victoria Lincoln, Assoc. of WA Cities; Dave Clinton, WA Rural Electric Cooperatives Assoc.; Dave Moore, WA PUD Assoc.; Tony Usibelli, CTED; Anne Solwick, DOR.

**Testimony For (Ways & Means):** This bill is clarifying for the program and brings it back into tune with other legislation. The annual \$300,000 that the states forgoes for this program produces over \$5 million in rural economic development because it's a matching fund, revolving, and the money can be used for leveraging. Washington cities support this program because several small cities benefit from the program such as McClary, which is putting in needed infrastructure for economic development. The Department of Revenue supports this bill as well, because of the administrative simplifications made in the bill to the program.

**Testimony Against (Ways & Means):** None.

**Testified (Ways & Means):** PRO: Senator Bob Morton, 7th District; Dave Clinton, Washington Rural Electric Cooperatives Association; Victoria Lincoln, Association of Washington Cities; Anne Solwick, Department of Revenue.