

CERTIFICATION OF ENROLLMENT  
**ENGROSSED SUBSTITUTE HOUSE BILL 2675**

Chapter 238, Laws of 2004

58th Legislature  
2004 Regular Session

TAX CREDITS--ELECTRIC UTILITIES

EFFECTIVE DATE: 7/1/04

Passed by the House March 10, 2004  
Yeas 96 Nays 1

FRANK CHOPP

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**Speaker of the House of Representatives**

Passed by the Senate March 4, 2004  
Yeas 45 Nays 0

BRAD OWEN

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**President of the Senate**

Approved March 31, 2004.

GARY F. LOCKE

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**Governor of the State of Washington**

CERTIFICATE

I, Richard Nafziger, Chief Clerk of the House of Representatives of the State of Washington, do hereby certify that the attached is **ENGROSSED SUBSTITUTE HOUSE BILL 2675** as passed by the House of Representatives and the Senate on the dates hereon set forth.

RICHARD NAFZIGER

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**Chief Clerk**

FILED

March 31, 2004 - 2:32 p.m.

**Secretary of State  
State of Washington**

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ENGROSSED SUBSTITUTE HOUSE BILL 2675

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AS AMENDED BY THE SENATE

Passed Legislature - 2004 Regular Session

**State of Washington**                      **58th Legislature**                      **2004 Regular Session**

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

READ FIRST TIME 02/10/04.

1            AN ACT Relating to electric utility tax credits; amending RCW  
2 82.16.0491; creating a new section; and providing an effective date.

3 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

4            **Sec. 1.** RCW 82.16.0491 and 1999 c 311 s 402 are each amended to  
5 read as follows:

6            (1) The following definitions apply to this section:

7            (a) "Qualifying project" means a project designed to achieve job  
8 creation or business retention, to add or upgrade nonelectrical  
9 infrastructure, to add or upgrade health and safety facilities, to  
10 accomplish energy and water use efficiency improvements, including  
11 renewable energy development, or to add or upgrade emergency services  
12 in any designated qualifying rural area.

13            (b) "Qualifying rural area" means:

14            (i) A rural county, which on the date that a contribution is made  
15 to an electric utility rural economic development revolving fund is a  
16 county with a population density of less than one hundred persons per  
17 square mile as determined by the office of financial management (~~and~~  
18 ~~published each year by the department for the period July 1st to June~~  
19 ~~30th~~); or

1 (ii) Any geographic area in the state that receives electricity  
2 from a light and power business with twelve thousand or fewer customers  
3 (~~and with fewer than twenty six meters per mile of distribution line~~  
4 ~~as determined and published by the department of revenue effective July~~  
5 ~~1st of each year. The department shall use current data provided by~~  
6 ~~the electricity industry~~)).

7 (c) "Electric utility rural economic development revolving fund"  
8 means a fund devoted exclusively to funding qualifying projects in  
9 qualifying rural areas.

10 (d) "Local board" is (i) a board of directors with at least, but  
11 not limited to, three members representing local businesses and  
12 community groups who have been appointed by the sponsoring electric  
13 utility to oversee and direct the activities of the electric utility  
14 rural economic development revolving fund; or (ii) a board of directors  
15 of an existing associate development organization serving the  
16 qualifying rural area who have been designated by the sponsoring  
17 electrical utility to oversee and direct the activities of the electric  
18 utility rural economic development revolving fund.

19 (2) A light and power business (~~with fewer than twenty six active~~  
20 ~~meters per mile of distribution line in any geographic area in the~~  
21 ~~state~~)) shall be allowed a credit against taxes due under this chapter  
22 in an amount equal to fifty percent of contributions made in any  
23 (~~calendar~~) fiscal year directly to an electric utility rural economic  
24 development revolving fund. The credit shall be taken in a form and  
25 manner as required by the department. The credit under this section  
26 shall not exceed twenty-five thousand dollars per (~~calendar~~) fiscal  
27 year per light and power business. The credit may not exceed the tax  
28 that would otherwise be due under this chapter. Refunds shall not be  
29 granted in the place of credits. Expenditures not used to earn a  
30 credit in one (~~calendar~~) fiscal year may not be used to earn a credit  
31 in subsequent years, except that this limitation does not apply to  
32 expenditures made between January 1, 2004, and March 31, 2004, which  
33 expenditures may be used to earn a credit through December 30, 2004.

34 (3) The right to earn tax credits under this section expires  
35 (~~December 31, 2005~~) June 30, 2011.

36 (4) To qualify for the credit in subsection (2) of this section,  
37 the light and power business shall establish, or have a local board  
38 establish with the business's contribution, an electric utility rural

1 economic development revolving fund which is governed by a local board  
2 whose members shall reside or work in the qualifying rural area served  
3 by the light and power business. Expenditures from the electric  
4 utility rural economic development revolving fund shall be made solely  
5 on qualifying projects, and the local board shall have authority to  
6 determine all criteria and conditions for the expenditure of funds from  
7 the electric utility rural economic development (~~(revolving)~~)  
8 revolving fund, and for the terms and conditions of repayment.

9 (5) Any funds repaid to the electric utility rural economic  
10 development (~~(revolving)~~) revolving fund by recipients shall be made  
11 available for additional qualifying projects.

12 (6) If at any time the electric utility rural economic development  
13 (~~(revolving)~~) revolving fund is dissolved, any moneys claimed as a  
14 tax credit under this section shall either be granted to a qualifying  
15 project or refunded to the state within two years of termination.

16 (7) The total amount of credits that may be used in any fiscal year  
17 shall not exceed three hundred fifty thousand dollars in any fiscal  
18 year. The department shall allow the use of earned credits on a first-  
19 come, first-served basis. Unused earned credits may be carried over to  
20 subsequent years.

21 (8) The following provisions apply to expenditures under subsection  
22 (2) of this section made between January 1, 2004, and March 31, 2004:

23 (a) Credits earned from such expenditures are not considered in  
24 computing the statewide limitation set forth in subsection (7) of this  
25 section for the period July 1, 2004, through December 31, 2004; and

26 (b) For the fiscal year ending June 30, 2005, the credit allowed  
27 under this section for light and power businesses making expenditures  
28 is limited to thirty-seven thousand five hundred dollars.

29 NEW SECTION. Sec. 2. (1) The legislature finds that  
30 accountability and effectiveness are important aspects of setting tax  
31 policy. In order to make policy choices regarding the best use of  
32 limited state resources the legislature needs information to evaluate  
33 whether the stated goals of legislation were achieved.

34 (2) The goal of the tax credit available to light and power  
35 businesses for contributing to an electric utility rural economic  
36 development revolving fund in section 1 of this act is to support  
37 qualifying projects that create or retain jobs, add or upgrade health

1 and safety facilities, facilitate energy and water conservation, or  
2 develop renewable sources of energy in a qualified area. The goal of  
3 this tax credit is achieved when the investment of the revolving funds  
4 established under section 1 of this act have generated capital  
5 investment in an amount of four million seven hundred fifty thousand  
6 dollars or more within a five-year period.

7 NEW SECTION. **Sec. 3.** This act takes effect July 1, 2004.  
Passed by the House March 10, 2004.  
Passed by the Senate March 4, 2004.  
Approved by the Governor March 31, 2004.  
Filed in Office of Secretary of State March 31, 2004.