Chapter 18
Public Utility Tax

35.58.560 - METRO transit expenditures

Description	Metropolitan municipal corporations may take an offset against gross revenue subject to any state tax for expenditures made from such gross revenue for planning or performing public transportation.
Purpose	To support public transportation systems.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	CTI	CTI	CTI	CTI
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	CTI	CTI	CTI
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

This exemption impacts fewer than three taxpayers; any impacts are confidential.

Data Sources

Department of Revenue, Excise tax data

Additional Information

Additional Information	
Category:	Government
Year Enacted:	1967
Primary Beneficiaries:	Municipal transit corporations
Taxpayer Count:	Fewer than three
Program Inconsistency:	None evident
JLARC Review:	Expedited review completed in 2010 and 2020

82.16.020(1)(d) - Urban transportation

Description

Urban transportation businesses are subject to the public utility tax at a rate of 0.642%. The public utility tax rate for most other forms of transportation is 1.926%.

Urban transportation businesses operate vehicles for public use to convey persons or property for hire either entirely:
- Within a city or within five miles of the city.
- Within and between cities that are not more than five miles apart.
- Within five miles of the corporate limits of either.

Purpose

Reduces costs for local transit authorities and qualifying businesses.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$6.040	$6.460	$6.920	$7.420
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$5.930	$6.920	$7.420
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate reflects the compound annual growth rate of 7.1% based on historical urban transportation taxable activity.

Data Sources

- Department of Revenue, Excise tax data

Additional Information

Additional Information	
Category:	Business
Year Enacted:	1935
Primary Beneficiaries:	Local transit systems, taxi companies, intra-city delivery businesses
Taxpayer Count:	1,505
Program Inconsistency:	None evident
JLARC Review:	Full review completed in 2008 and expedited review completed in 2019

82.16.020(1)(e) - Vessels under 65 feet in length

Description

Vessels under 65 feet in length, except tugboats, operating upon the waters within the state are subject to the public utility tax at a rate of 0.642%. The public utility tax rate for most other forms of transportation is 1.926%.

Purpose

Provides tax relief for small vessels transporting persons or goods within Washington.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.039	$0.042	$0.045	$0.047
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.038	$0.045	$0.047
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Linear growth rate of about $430,000 taxable per year based on 5-year average.

Data Sources

- Department of Revenue, Excise tax data

Additional Information

Additional Information	
Category:	Business
Year Enacted:	1935
Primary Beneficiaries:	Water transportation businesses
Taxpayer Count:	10
Program Inconsistency:	None evident
JLARC Review:	Expedited review completed in 2017

82.16.020(1)(h) - Log transportation businesses

Description

Businesses transporting logs, not including urban or private road exclusive transportation, receive a preferential public utility tax rate of 1.3696% (including a 7% surtax).

Purpose

Supports the forest products industry by providing permanent tax relief by lowering the public utility tax rate attributable to log transportation businesses.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.961	$0.993	$1.031	$1.071
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this preferential tax rate would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.910	$1.031	$1.071
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- The tax difference between 1.926% and 1.3696% is the measure of revenue gains.
- Growth rate mirrors the other public service public utility taxable activity growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.

Data Sources

- Department of Revenue, Excise tax data
- Economic and Revenue Forecast Council, March 2023 forecast

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2015
Primary Beneficiaries:	Log haulers
Taxpayer Count:	700
Program Inconsistency:	None evident
JLARC Review:	Expedited review completed in 2019

82.16.040 - Minimum income threshold - $2,000 per month

Description

The public utility tax does not apply to a business whose total gross income is less than $2,000 per month. Public utility tax applies to the total monthly gross income if it equals or exceeds $2,000 per month.

Purpose

To encourage new or small public utility businesses and for administrative convenience.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$2.156	$2.205	$2.265	$2.338
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$2.021	$2.265	$2.338
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the public utility taxable activity growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.

Data Sources

- Department of Revenue, Excise tax data
- Economic and Revenue Forecast Council, March 2023 forecast

Additional Information

Additional Information	
Category:	Business
Year Enacted:	1997
Primary Beneficiaries:	Small public service and utility businesses
Taxpayer Count:	Unknown
Program Inconsistency:	None evident
JLARC Review:	Expedited review completed in 2008 with an upcoming review in 2023

82.16.0421 - Electricity sold to electrolyte processors

Description	Utility companies providing electricity to producers of chlor-alkali or sodium chlorate do not pay public utility tax on the electricity used to produce those compounds. The exemption expires on June 30, 2029, and does not apply to sales of electricity made after December 31, 2028.
Purpose	Supports the chemical industry which supplies the pulp and paper industry with sodium chlorate used for bleaching pulp in white paper products. Electricity is a prime raw material component in the processing of the product.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	CTI	CTI	CTI	CTI
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	CTI	CTI	CTI
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

This exemption impacts fewer than three taxpayers; any impacts are confidential.

Data Sources

Department of Revenue, Excise tax data

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2004
Primary Beneficiaries:	Electrolytic processing businesses
Taxpayer Count:	Fewer than three
Program Inconsistency:	None evident
JLARC Review:	Full review completed in 2017

82.16.045; 82.34.060(2) - Pollution control facilities

Description

Construction of required pollution control facilities associated with approved applications received between July 30, 1967, and November 30, 1981, was exempt from sales and use taxes. If sales and use taxes were previously paid, the amount paid may be taken as a credit against B&O, public utility, or use taxes.

The total annual credit claimed is limited to 2% of the cost of the qualifying facility. The total cumulative credits allowed may not exceed 50% of the cost of the qualifying facility.

Purpose

To encourage pollution control and to compensate existing companies for the costs they incur to meet upgraded pollution standards.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this credit would not increase revenue because currently no taxpayers use it.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

No taxpayers currently use this credit. We expect no usage during the forecasted period of this study.

Data Sources

Department of Revenue, Excise tax data

Additional Information

Additional Information	
Category:	Business
Year Enacted:	1967
Primary Beneficiaries:	Businesses required to install pollution control facilities
Taxpayer Count:	0
Program Inconsistency:	None evident
JLARC Review:	Full review scheduled in 2026

82.16.046 - Second Narrows Bridge

Description

A public utility tax exemption is allowed on income derived from operation of state route 16 corridor transportation systems and facilities constructed and operated. This statute addresses the second bridge over Puget Sound at the Tacoma Narrows and exempts any tolls received by the operator of the bridge from public utility tax.

Purpose

Lower the overall cost of operating the second Narrows bridge.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would not increase revenues. The state receives the tolls, not the business contracted to collect the tolls. Income derived from the operation of state route 16 does not fall under the public utility tax classifications.

Normally, the contractor is subject to B&O tax under the service classification on amounts paid by the state to perform this service. Thus, there is no impact on public utility tax.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

Normally, the contractor is subject to B&O tax under the service classification on amounts paid by the state to perform this service. Thus, there is no impact on public utility tax.

Data Sources

Department of Revenue, Excise tax data

Additional Information

Additional Information	
Category:	Business
Year Enacted:	1998
Primary Beneficiaries:	Toll operators
Taxpayer Count:	0
Program Inconsistency:	None evident
JLARC Review:	Expedited review completed in 2020

82.16.047 - Ride-sharing and special needs transportation

Description

Ride-sharing receipts are exempt from PU tax for:

- Vanpools and carpools used for ride-sharing.
- Public social service agencies or private, nonprofit transportation providers that transport people with special transportation needs.

Purpose

Reduces motor vehicle fuel consumption and traffic congestion by promoting ride-sharing and supports nonprofit organizations that provide group transportation services.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.733	$0.755	$0.781	$0.809
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.692	$0.781	$0.809
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the public utility taxable activity growth rates reflected in the Economic and Revenue Forecast Council's March 2023 forecast.
- 20% of the trips are out-of-county.
- Income from providing these services result from government funding.

Data Sources

- Health Care Authority, Non-Emergency Medical Transportation Program

Additional Information

Additional Information	
Category:	Other
Year Enacted:	1979
Primary Beneficiaries:	Nonprofit transportation providers and public transportation systems that provide transportation services
Taxpayer Count:	109
Program Inconsistency:	None evident
JLARC Review:	Expedited review completed in 2020

82.16.0495 - Electricity sold to direct service industry (DSI)

Description

Sales of electricity from a gas turbine electrical generation facility to a direct service industrial (DSI) customer are eligible for a public utility tax credit if the facility makes such sales for at least 10 consecutive years and reduces the price of the electricity by an amount equal to the credit. The tax credit lasts for 60 months following the first qualifying sale of electricity. The DSI customer must maintain existing employment levels for at least five years to qualify. A DSI customer is an industrial customer that purchases power from the Bonneville Power Administration (BPA) for its own consumption.

Purpose

To encourage DSI customers to continue manufacturing in Washington after their power supply contracts with the BPA expire by switching to power from newly constructed power facilities.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this credit would not increase revenue because currently no taxpayers use it.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

No taxpayers currently use this credit. We expect no usage during the forecasted period of this study.

Data Sources

Department of Revenue, Excise tax data

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2001
Primary Beneficiaries:	Direct service industry businesses
Taxpayer Count:	0
Program Inconsistency:	None evident
JLARC Review:	Expedited review completed in 2021

82.16.0496(1)(a)(i) - Alternative fuel commercial vehicle tax credit

Description

A credit is allowed against either B&O or PU taxes for the purchase or lease of new or qualifying used commercial vehicles powered by a clean alternative fuel, or the conversion of vehicles to be powered by a clean alternative fuel.

The credit is equal to 75% of the incremental cost amount, which is the difference in price between the qualified vehicle's purchase price and a comparable conventionally-fueled vehicle, or the maximum credit amount for that vehicle, whichever is smaller. For leased vehicles, the credit is equal to 50% of the incremental cost amount multiplied by a lease reduction factor. For converted vehicles, the credit is $25,000 or 50% of the conversion costs, whichever is smaller. The maximum credit amount per vehicle is $25,000, $50,000, or $100,000, depending on the gross weight of the vehicle.

"Qualifying used commercial vehicle" means a vehicle with an odometer reading of less than 450,000 miles; that is less than 10 years past the original manufacturing date; is modified after the initial purchase with a U. S. environmental protection agency certified conversion that would allow the propulsion units to be principally powered by a clean alternative fuel; and is being sold for the first time after modification. Only vehicles used for commercial services or to transport commodities, merchandise, produce, refuse, freight, animals, or passengers and display a Washington license plate qualify for the credit. All commercial vehicles that provide transportation to passengers must be operated by an auto transportation company. The definition of auto transportation company is amended to include private, nonprofit transportation providers, charter party carriers, and paratransit service providers who primarily provide special needs transportation to individuals with disabilities and the elderly.

A credit is allowed for up to 50% of the cost to purchase alternative fuel vehicle infrastructure which includes tangible personal property that will become a component and installation and construction of alternative fuel vehicle infrastructure. Credit for infrastructure is limited to $2 million annually.

On September 1st of each year, any unused credits from any category, must be made available to applicants applying for credits under any other category, subject to the maximum annual credit of $6 million. The maximum total credit taken since July 15, 2015, cannot exceed $32.5 million.

Purpose

To incentivize purchasing alternative fuel commercial vehicles and infrastructure.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	CTI	CTI	CTI	CTI
Local Taxes	$0.000	$0.000	$0.000	$0.000

82.16.0496(1)(a)(i) - Alternative fuel commercial vehicle tax credit

Repeal of exemption

Repealing this credit would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	CTI	CTI	CTI
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- This credit impacts fewer than three taxpayers; any impacts are confidential.

Data Sources

- Department of Revenue, Excise tax data

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2015
Primary Beneficiaries:	Businesses purchasing or converting vehicles to clean alternative fuels
Taxpayer Count:	Fewer than three
Program Inconsistency:	None evident
JLARC Review:	Upcoming review in 2024

82.16.0496(1)(a)(ii) - Alternative fuel commercial vehicle infrastructure credit

Description

A credit is allowed against either B&O or PU taxes for the purchase or lease of new or qualifying used commercial vehicles powered by a clean alternative fuel, or the conversion of vehicles to be powered by a clean alternative fuel.

The credit is equal to 75% of the incremental cost amount, which is the difference in price between the qualified vehicle's purchase price and a comparable conventionally-fueled vehicle, or the maximum credit amount for that vehicle, whichever is smaller. For leased vehicles, the credit is equal to 50% of the incremental cost amount multiplied by a lease reduction factor. For converted vehicles, the credit is $25,000 or 50% of the conversion costs, whichever is smaller. The maximum credit amount per vehicle is $25,000, $50,000, or $100,000, depending on the gross weight of the vehicle.

"Qualifying used commercial vehicle" means a vehicle with an odometer reading of less than 450,000 miles; that is less than 10 years past the original manufacturing date; is modified after the initial purchase with a U. S. environmental protection agency certified conversion that would allow the propulsion units to be principally powered by a clean alternative fuel; and is being sold for the first time after modification. Only vehicles used for commercial services or to transport commodities, merchandise, produce, refuse, freight, animals, or passengers and display a Washington license plate qualify for the credit. All commercial vehicles that provide transportation to passengers must be operated by an auto transportation company. The definition of auto transportation company is amended to include private, nonprofit transportation providers, charter party carriers, and paratransit service providers who primarily provide special needs transportation to individuals with disabilities and the elderly.

A credit is allowed for up to 50% of the cost to purchase alternative fuel vehicle infrastructure which includes tangible personal property that will become a component and installation and construction of alternative fuel vehicle infrastructure. Credit for infrastructure is limited to $2 million annually.

On September 1st of each year, any unused credits from any category, must be made available to applicants applying for credits under any other category, subject to the maximum annual credit of $6 million. The maximum total credit taken since July 15, 2015, cannot exceed $32.5 million.

Purpose

To incentivize purchasing alternative fuel commercial vehicles and infrastructure.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	CTI	CTI	CTI	CTI
Local Taxes	$0.000	$0.000	$0.000	$0.000

82.16.0496(1)(a)(ii) - Alternative fuel commercial vehicle infrastructure credit

Repeal of exemption

Repealing this credit would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	CTI	CTI	CTI
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

This credit impacts fewer than three taxpayers; any impacts are confidential.

Data Sources

Department of Revenue, Excise tax data

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2019
Primary Beneficiaries:	Businesses installing alternative fuel infrastructure
Taxpayer Count:	Fewer than three
Program Inconsistency:	None evident
JLARC Review:	Upcoming review in 2024

82.16.0497 - Billing discounts provided to low-income households - credit

Description

A light and power business or a gas distribution business may take a credit against public utility tax for up to 50% of billing discounts provided to low-income households or qualified contributions to a low-income home energy assistance fund.

To qualify for the credit, the business must give billing discounts or qualifying contributions in excess of 125% of those given in fiscal year 2000 (or the first year the business provided billing discounts or qualified contributions). The total amount of credits available for all businesses is $2.5 million annually.

Purpose

To reduce energy costs for low-income persons.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$2.500	$2.500	$2.500	$2.500
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$2.290	$2.500	$2.500
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- The annual $2.5 million credit limit will be met.

Data Sources

- Department of Revenue, Excise tax data

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2001
Primary Beneficiaries:	Electric and gas municipalities and corporations
Taxpayer Count:	30
Program Inconsistency:	None evident
JLARC Review:	Full review scheduled in 2024

82.16.0498 - Aluminum smelter purchases of power

Description

A business with gross income from the sale of electricity, natural gas or manufactured gas to an aluminum smelter is eligible for a credit against the PU tax owed. The contract for the sale of the electricity or gas must specify that the price charged for the electricity or gas will be reduced by an amount equal to the credit.

Purpose

To support the aluminum industry.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this credit would not increase revenue because currently no taxpayers use it.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

No taxpayers currently use this credit. We expect no usage during the forecasted period of this study.

Data Sources

Department of Revenue, Excise tax data

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2004
Primary Beneficiaries:	The aluminum industry
Taxpayer Count:	0
Program Inconsistency:	None evident
JLARC Review:	Full review completed in 2015 with an upcoming review in 2024

82.16.050(1) - Municipal utilities receipts from taxes

Description

Municipally owned or operated public utility businesses may deduct income received directly from taxes collected for their support or maintenance. Service charges collected as taxes listed on property tax official records may not be deducted.

Purpose

To avoid taxing income received from local utility taxes.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$1.400	$1.460	$1.520	$1.590
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this deduction would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$1.340	$1.520	$1.590
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the public utility taxable activity growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.

Data Sources

- Office of the State Auditor, Financial data
- Economic and Revenue Forecast Council, March 2023 forecast

Additional Information

Additional Information	
Category:	Government
Year Enacted:	1935
Primary Beneficiaries:	Municipal utilities that finance capital construction through assessments
Taxpayer Count:	216
Program Inconsistency:	None evident
JLARC Review:	Expedited review completed in 2009 and 2023

82.16.050(2) - Sales for resale

Description

Water, gas, or other public service distribution businesses may deduct income subject to PU tax received from reselling its commodity.

Purpose

To avoid pyramiding of the public utility tax.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.880	$0.920	$0.970	$1.010
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this deduction would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.850	$0.970	$1.010
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the public utility taxable activity growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.

Data Sources

- Department of Revenue, Excise tax data
- Economic and Revenue Forecast Council, March 2023 forecast

Additional Information

Additional Information	
Category:	Tax base
Year Enacted:	1935
Primary Beneficiaries:	Natural gas and water utilities
Taxpayer Count:	10
Program Inconsistency:	None evident
JLARC Review:	Expedited review completed in 2008 and 2023

82.16.050(3) - Joint utility services

Description

Businesses may deduct income subject to the PU tax that are amounts paid to a subcontractor of a PU service that is jointly provided.

Purpose

To eliminate the pyramiding of the PU tax.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$37.920	$38.780	$39.770	$40.870
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this deduction would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$35.550	$39.770	$40.870
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the public utility taxable activity growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.

Data Sources

- Department of Revenue, Excise tax data
- Economic and Revenue Forecast Council, March 2023 forecast

Additional Information

Additional Information	
Category:	Business
Year Enacted:	1935
Primary Beneficiaries:	Utility and public service companies
Taxpayer Count:	609
Program Inconsistency:	None evident
JLARC Review:	Full review completed in 2009 and expedited review completed in 2023

82.16.050(4) - Cash discounts

Description	A business may deduct cash discounts taken by customers from gross income subject to public utility tax when the business's gross income reported includes these cash discounts.
Purpose	The deduction recognizes the true value of services performed by the business.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this deduction would not increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

Although taxpayers using accrual-based accounting report this deduction and therefore, experience savings, the state would not achieve revenue gains if legislation repealed the deduction. This is because taxpayers using cash basis accounting do not use the deduction; they report the actual amount received at the time of sale. Therefore, taxpayers using accrual-based accounting would switch to cash basis accounting if legislation repealed the deduction.

Data Sources

Department of Revenue, Excise tax data

Additional Information

Additional Information	
Category:	Tax Base
Year Enacted:	1935
Primary Beneficiaries:	Businesses that offer cash discounts to purchasers
Taxpayer Count:	53
Program Inconsistency:	None evident
JLARC Review:	Full review completed in 2009 with an upcoming review in 2026.

82.16.050(5) - Bad debts

Description

Businesses may deduct bad debts from the measure of PU tax if the tax was previously paid. "Bad debts" has the same meaning as defined in the internal revenue code (26 U.S.C. Sec. 166).

Purpose

Provides equal tax treatment between businesses using accrual basis accounting and cash basis accounting.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$2.720	$2.770	$2.830	$2.910
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this deduction would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$2.540	$2.830	$2.910
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the public utilities taxable activity growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.

Data Sources

- Department of Revenue, Excise tax data
- Economic and Revenue Forecast Council, March 2023 forecast

Additional Information

Additional Information	
Category:	Tax Base
Year Enacted:	1935
Primary Beneficiaries:	Businesses using accrual method of accounting and have bad debts
Taxpayer Count:	89
Program Inconsistency:	None evident
JLARC Review:	Expedited review completed in 2008 with upcoming review in 2026

82.16.050(6) - Constitutional exemptions

Description

A business may deduct amounts prohibited from taxation under the Washington State Constitution, the U.S. Constitution, or federal law from gross income subject to public utility tax.

Purpose

To avoid violating state and federal laws.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$91.490	$82.150	$96.710	$99.440
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this deduction would not increase revenues as the U.S. and Washington Constitutions prohibit the taxation of certain activities.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

Repealing this deduction would not increase revenues as the U.S. and Washington Constitutions prohibit the taxation of certain activities

Data Sources

Department of Revenue, Excise tax data

Additional Information

Additional Information	
Category:	Interstate Commerce
Year Enacted:	1935
Primary Beneficiaries:	Interstate transportation businesses
Taxpayer Count:	4,674
Program Inconsistency:	None evident
JLARC Review:	Full review completed in 2023

82.16.050(6) - Interstate transportation - in-state portion

Description

Businesses may deduct income subject to the PU tax when a trip either begins or ends outside of Washington.

Purpose

To avoid taxing transportation businesses when a trip either begins or ends outside of Washington.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$44.830	$45.500	$46.670	$47.910
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this deduction would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$41.700	$46.670	$47.910
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the public utility taxable activity growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.
- Most freight commodity product terminals are located near interstate boundaries, in-state portion of interstate trips will be minimal.
- Vessels, barges, and watercraft will predominantly travel in non-Washington waters.
- Estimated in-state portion of interstate trips is 30%.

Data Sources

- Department of Revenue, Excise tax data
- Economic and Revenue Forecast Council, March 2023 forecast

Additional Information

Additional Information	
Category:	Interstate Commerce
Year Enacted:	1935
Primary Beneficiaries:	Interstate transportation businesses
Taxpayer Count:	4,597
Program Inconsistency:	None evident
JLARC Review:	Expedited review completed in 2019

82.16.050(7) - Irrigation water

Description

Businesses may deduct income when derived from the distribution of water used for the purpose of irrigation. To qualify, the water must be distributed through an irrigation system, for irrigation purposes other than the irrigation of cannabis.

Purpose

To lower the cost of water for farming.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$3.240	$3.400	$3.560	$3.720
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this deduction would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$3.120	$3.560	$3.720
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the public utility taxable activity growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.

Data Sources

- Department of Revenue, Excise tax data
- Economic Revenue and Forecast Council, March 2023 forecast

Additional Information

Additional Information	
Category:	Agriculture
Year Enacted:	1935
Primary Beneficiaries:	The farming industry
Taxpayer Count:	100
Program Inconsistency:	None evident
JLARC Review:	Expedited review completed in 2018

82.16.050(8) - Interstate transportation - through freight

Description

Businesses may deduct income subject to the PU tax when transporting interstate goods that stop in Washington for storage, manufacturing, or processing before being sent to its final destination.

Purpose

To avoid taxing interstate goods.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this deduction would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

Impacts are included in the estimate for interstate transportation: in-state portion.

Data Sources

Department of Revenue, Excise tax data

Additional Information

Additional Information	
Category:	Interstate Commerce
Year Enacted:	1937
Primary Beneficiaries:	Shipping industry
Taxpayer Count:	520
Program Inconsistency:	None evident
JLARC Review:	Full review completed in 2023

82.16.050(9) - Interstate transportation - shipments to ports

Description

Businesses may deduct income subject to the PU tax when transporting products to an export point to be delivered outside of Washington, except when the trip either begins or ends in the same city or town.

Purpose

To avoid taxing products that are exported out of Washington.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$5.220	$5.380	$5.560	$5.760
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this deduction would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$4.930	$5.560	$5.760
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the public utility tax growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.

Data Sources

- Department of Revenue, Excise tax data
- Economic and Revenue Forecast Council, March 2023 forecast
- USDOT Bureau of Transportation Statistics, Average freight revenue
- National Transportation Research Center Data, Freight analysis framework

Additional Information

Additional Information	
Category:	Interstate Commerce
Year Enacted:	1937
Primary Beneficiaries:	Transportation industry
Taxpayer Count:	520
Program Inconsistency:	None evident
JLARC Review:	Full review completed in 2023

82.16.050(10) - Farm products shipped to ports

Description

Transportation businesses may deduct income subject to PU tax for shipping agricultural products from a location in Washington to an interim storage facility if:

- The agricultural products stay in their original form.
- More than 96% of the facility's agricultural products were exported outside Washington by vessel the previous year.

Purpose

To avoid taxing the shipment of agricultural products for export.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.252	$0.259	$0.266	$0.273
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this deduction would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.237	$0.266	$0.273
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the public utility taxable growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.
- Percentage of total freight shipments that are agricultural commodities is 4%.
- Percentage of intrastate freight shipments are 57%.

Data Sources

- Department of Revenue, Excise tax data
- Economic and Revenue Forecast Council, March 2023 forecast
- USDOT Bureau of Transportation Statistics, Shipments by commodity and location

Additional Information

Additional Information	
Category:	Agriculture
Year Enacted:	2007
Primary Beneficiaries:	Agricultural transportation industry
Taxpayer Count:	520
Program Inconsistency:	None evident
JLARC Review:	Full review completed in 2020

82.16.050(11) - Electric power exported or resold

Description	Businesses may deduct income subject to the PU tax when electrical energy is produced, sold, or transferred for resale or consumed outside of Washington.
Purpose	To avoid taxing interstate commerce and to avoid pyramiding of the public utility tax on in-state sales of electricity for resale.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$54.060	$54.790	$55.730	$56.950
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this deduction would increase revenue from the resale of electrical energy inside Washington. Revenue from reselling or consumption of electrical energy outside of Washington is exempt from taxation under the commerce clause and revenue and would not be realized.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$47.200	$52.370	$53.520
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the public utility taxable activity growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.
- Impact reflects repeal of resale of electrical energy inside Washington. The reselling or consumption of energy outside Washington is exempt under commerce clause.

Data Sources

- Department of Revenue, Excise tax data
- Economic and Revenue Forecast Council, March 2023 forecast

Additional Information

Additional Information	
Category:	Tax base
Year Enacted:	1989
Primary Beneficiaries:	Electric power businesses
Taxpayer Count:	28
Program Inconsistency:	None evident
JLARC Review:	Full review completed in 2017

82.16.050(12) - Nonprofit water associations

Description

Nonprofit water organizations may deduct income for amounts received by another nonprofit water organization to use for capital projects.

Purpose

Promotes capital improvements and expansion of water distribution systems operated by nonprofit associations.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.830	$0.870	$0.910	$0.950
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this deduction would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.800	$0.910	$0.950
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the public utility taxable activity growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.

Data Sources

- Department of Revenue, Excise tax data
- Economic and Revenue Forecast Council, March 2023 forecast

Additional Information

Additional Information	
Category:	Nonprofit
Year Enacted:	1977
Primary Beneficiaries:	Nonprofit water associations
Taxpayer Count:	57
Program Inconsistency:	None evident
JLARC Review:	Full review scheduled in 2024

82.16.050(13) - Sewerage processing and disposal

Description

Sewerage collection businesses may deduct income from other sewerage collection businesses.

Purpose

To ensure that payments for the treatment or disposal of sewage are not taxed.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$10.850	$11.200	$11.590	$11.990
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this deduction would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$10.270	$11.590	$11.990
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the public utility tax growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.

Data Sources

- Department of Revenue, Excise tax data
- Economic and Revenue Forecast Council, March 2023 forecast

Additional Information

Additional Information	
Category:	Business
Year Enacted:	1987
Primary Beneficiaries:	Sewerage collection businesses
Taxpayer Count:	27
Program Inconsistency:	None evident
JLARC Review:	Expedited review completed in 2014 and 2023

82.16.050(14) - Transit improvements for low-income and elderly

Description

Public transportation agencies are allowed a deduction from gross income subject to public utility tax for income derived from fees or charges imposed for transit services. The deduction amount must be used to adjust routes to improve access for citizens to food banks and senior services or to extend or add new routes to assist low-income citizens and seniors.

Purpose

To promote better transit services for low-income and elderly persons.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.102	$0.102	$0.102	$0.102
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this deduction would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.094	$0.102	$0.102
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Due to the unpredictable nature of this deduction, there is no growth assumed.

Data Sources

- Department of Revenue, Excise tax data

Additional Information

Additional Information	
Category:	Government
Year Enacted:	2006
Primary Beneficiaries:	Public transportation agencies
Taxpayer Count:	5
Program Inconsistency:	None evident
JLARC Review:	Expedited review completed in 2020

82.16.053 - Electric power sold in rural areas

Description

Light and power businesses may deduct income subject to the PU tax by selecting the lowest relevant option:

- A percentage of wholesale power costs paid if they have:
  - More than 17 customers per mile of line: 0%.
  - More than 11, but less than 17 customers per mile of line: 30%.
  - More than 5.5, but less than 11 customers per mile of line: 40%.
  - Less than 5.5 customers per mile of line: 50%.
- Wholesale power costs multiplied by the percentage that the average retail electric power rates for the business exceed the state average electric power rate.
- $400,000 per month.

Purpose

To reduce electricity costs in rural areas.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$1.110	$1.130	$1.150	$1.170
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this deduction would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$1.040	$1.150	$1.170
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the public utility taxable activity growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.

Data Sources

- Department of Revenue, Excise tax data
- Economic and Revenue Forecast Council, March 2023 forecast

82.16.053 - Electric power sold in rural areas

Additional Information

Additional Information	
Category:	Business
Year Enacted:	1994
Primary Beneficiaries:	Light and power businesses
Taxpayer Count:	19
Program Inconsistency:	None evident
JLARC Review:	Full review completed in 2017

82.16.055 - Cogeneration facilities and renewable resources

Description	Businesses producing energy may deduct amounts from PU tax equal to the cost of production if the energy is for consumption within Washington and produced by either: - Cogeneration, which means the sequential generation of electrical or mechanical power and useful heat from the same primary energy source or fuel. - Renewable energy resources. This preference is only applicable to facilities where construction or installation was begun after June 12, 1980, and before January 1, 1990. The department must determine which projects and amounts are eligible for the PU tax deductions after consultation with the utilities and transportation commission or governing bodies of locally regulated utilities.
Purpose	To encourage energy recycling and the use of renewable energy.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	CTI	CTI	CTI	CTI
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this deduction would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	CTI	CTI	CTI
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

This deduction impacts fewer than three taxpayers; any impacts are confidential.

Data Sources

Department of Revenue, Excise tax data

Additional Information

Additional Information	
Category:	Business
Year Enacted:	1980
Primary Beneficiaries:	Utility businesses
Taxpayer Count:	Fewer than three
Program Inconsistency:	None evident
JLARC Review:	Full review completed in 2017

82.16.130 - Renewable energy system cost recovery

Description

A light and power business may take a credit against public utility tax for amounts paid to customers as investment cost recovery incentives for qualifying renewable energy systems.

Credit claimed for amounts paid to customers may not exceed the greater of either of the following in a fiscal year:

- $250,000.
- 1.5% of the business's taxable Washington power sales generated in calendar year 2014.

The right to earn tax credits expires June 30, 2029. Credits may not be claimed after June 30, 2030.

Approved projects receive annual incentive payments for 8 years based on specific incentive rates or until cumulative payments reach 50% of total system price, whichever occurs first. Depending on the project, the annual incentive payment is limited to up to $35,000 per participant. Total incentive payments statewide may not exceed $110 million.

Purpose

To encourage investment in renewable energy resources.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$11.570	$11.570	$11.570	$11.570
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this credit would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$10.610	$11.570	$11.570
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- The repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Annual credit amount remains constant due to no longer accepting new applicants after June 30, 2021.

Data Sources

- Department of Revenue, Excise tax data

82.16.130 - Renewable energy system cost recovery

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2005
Primary Beneficiaries:	Light and power businesses
Taxpayer Count:	44
Program Inconsistency:	None evident
JLARC Review:	Full review completed in 2016 and 2021 and expedited review completed in 2017

82.16.184 - Community solar incentive payments

Description

Beginning July 1, 2022, a light and power business is allowed a credit against PU tax equal to incentive payments made under the Community Solar Expansion Program.

Credit claimed for incentive payments made to a community solar project may not exceed the greater of either of the following in a fiscal year:

- $250,000.
- 1.5% of the business's taxable Washington power sales generated in calendar year 2014.

Participating community solar projects must seek approval from the Washington State University Extension Energy Program (WSU). The right to apply for precertification ends June 30, 2033. No certification may be issued after June 30, 2035.

Total statewide incentive payments may not exceed $100 million and are subject to the following biennial limits:

- For fiscal year 2023, $300,000.
- For each biennium beginning on or after July 1, 2023, $25 million.

The right to earn credits expires June 30, 2036. Credits cannot be claimed after June 30, 2037.

Purpose

To support production of community solar projects.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.300	$2.600	$2.600	$2.600
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this credit would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$2.600	$2.600	$2.600
Local Taxes	$0.000	$0.000	$0.000	$0.000

82.16.184 - Community solar incentive payments

Assumptions

- This repeal takes effect July 1, 2024, and impacts the full year of collections in fiscal year 2025 due to credit based on approved projects.
- Based on historical data, five community solar program (CSP) systems between 70 and 199 kW and 4 CSP systems less than 70 kW will be certified in each fiscal year beginning in 2023 through 2033.
- Administrative costs for large CSPs are estimated at $20,000 and $10,000 for small CSPs.
- Energy storage systems will be included with the installation of each CSP system. The energy storage systems cost about 20% of the total price of the CSP system.

Data Sources

- Department of Revenue, Excise tax data
- Washington State University Energy Extension Program, Renewable energy repayment program data

Additional Information

Additional Information	
Category:	Other
Year Enacted:	2022
Primary Beneficiaries:	Light and power businesses
Taxpayer Count:	44
Program Inconsistency:	None evident
JLARC Review:	No review completed

82.16.185 - State energy performance standard early adoption incentive program

Description

A qualifying light and power or gas distribution business (qualifying utility) is allowed a PU tax credit for both the following:

- Incentives paid to eligible owners of covered commercial buildings and multifamily residential buildings for early adoption of new energy efficiency standards.
- A portion of the qualifying utility's administrative costs.

The credit used is not to exceed the amount of PU tax due and is not refundable. The credit must be applied in the calendar year in which it is earned or within the following two calendar years.

Building owners must apply with the Department of Commerce. Once approved, building owners can receive incentive payments from participating qualifying utilities.

Purpose

Increase energy efficiency and the use of renewable fuels that reduce the amount of greenhouse gas emissions in Washington.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$5.470	$8.620	$13.580	$21.440
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$7.900	$13.580	$21.440
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Based on data provided by the Department of Commerce in 2020 and communication in 2023, PU tax credits will be claimed beginning in fiscal year 2024.
- Building owner participation will increase over time.
- The program cap will be met prior to the program end date.

82.16.185 - State energy performance standard early adoption incentive program

Data Sources

- Department of Commerce, Program data
- City of Seattle, Office of Sustainability & Environment, Seattle Energy Benchmarking
- Northwest Energy Efficiency Alliance, Commercial Building Stock Assessment

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2019
Primary Beneficiaries:	Light and power businesses and gas distribution businesses
Taxpayer Count:	70
Program Inconsistency:	None evident
JLARC Review:	No review completed

82.16.187 - Using alternative jet fuel

Description

Effective July 1, 2024, a PU tax credit is available to those using alternative jet fuel. The rules to apply for credits against B&O and PU taxes are the same; however, credits cannot be claimed against both PU tax and B&O tax for the same fuel purchased.

The credit equals $1 per gallon of alternative jet fuel that has at least 50% less CO2 equivalent emissions than conventional jet fuel that a business purchased in the prior calendar year for use in flights departing in Washington.

The credit amount must increase by 2 cents for each additional 1% reduction in CO2 equivalent emissions beyond 50%, not to exceed $2 per gallon.

The credit is calculated only on the portion of jet fuel considered alternative jet fuel and does not include conventional jet fuel when such fuels are blended or otherwise used in a jet fuel mixture.

The credit may be earned from the first day of the quarter immediately following the quarter when the Department of Ecology notifies the department that one or more facilities with cumulative production capacity of at least 20 million gallons of alternative jet fuel each year are operating in Washington. No credit may be earned beginning nine calendar years after the close of the calendar year in which the contingency occurs.

To claim this credit, the taxpayer must file all returns, forms, and other required information electronically with the department and complete an application for the credit. The taxpayer claiming the credit provided in this section must file a complete annual tax performance report with the department.

The department must notify those applying for the credit within 60 days of acceptance of their documentation.

This credit earned during one calendar year may be carried over and claimed against taxes incurred only for the next subsequent calendar year. The department cannot grant refunds.

Purpose

To encourage the production of alternative jet fuels in Washington.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.200
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this credit would not increase revenues because the credit is not effective until July 1, 2024.

82.16.187 - Using alternative jet fuel

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

The repeal is effective July 1, 2024, which is the same effective date as the credit; therefore, no revenue impact.

Data Sources

Department of Revenue, Excise tax data

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2023
Primary Beneficiaries:	Air transportation businesses
Taxpayer Count:	10
Program Inconsistency:	None evident
JLARC Review:	No review completed

82.16.305 - Joint municipal utility authority

Description

Payments between or transfer of assets to or from a joint municipal utility service authority and its members are exempt from public utility taxes.

Purpose

To improve the ability of local governments to provide utility services to the public by reducing the cost of such services. However, the intent is not to expand the types of services provided by local governments or their utilities.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.480	$0.510	$0.540	$0.570
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.470	$0.540	$0.570
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the public utility taxable activity growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.

Data Sources

- Department of Revenue, Excise tax data
- Economic and Revenue Forecast Council, March 2023 forecast

Additional Information

Additional Information	
Category:	Government
Year Enacted:	2011
Primary Beneficiaries:	Utilities receiving or sending payments to a joint municipal utility authority
Taxpayer Count:	14
Program Inconsistency:	None evident
JLARC Review:	Expedited review completed in 2023

82.16.315 - Electricity or gas sold to silicon smelters

Description

Persons who sell electricity, natural gas or manufactured gas to a silicon smelter are eligible to take a credit against public utility tax. The credit is equal to the gross income from the sale multiplied by the corresponding tax rate in effect at the time of the sale. The contract for sale of electricity or gas to the silicon smelter must specify that the price charged will be reduced by the credit amount. Resale or remarketing of the electricity or gas originally obtained by contract for the smelting process is not eligible for the credit.

This tax preference expires on July 1, 2027. If smelters do not meet the employment requirements, the tax preference will expire on January 1, 2024.

Purpose

To promote the manufacturing of silicon for use in production of photovoltaic cells for solar energy systems.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this credit would not increase revenue because currently no taxpayers use it.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- No taxpayers currently use this credit. We expect no usage during the forecasted period of this study.
- This contingency has yet to be met and it is believed that the investment will not occur prior to January 1, 2024.

Data Sources

- Department of Revenue, Excise tax data
- The Spokesman-Review, "Silicon smelter once proposed for Newport being build tin Tennessee." March 19, 2023

82.16.315 - Electricity or gas sold to silicon smelters

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2017
Primary Beneficiaries:	Utility companies selling electricity and natural or manufactured gas to a silicon smelter
Taxpayer Count:	0
Program Inconsistency:	None evident
JLARC Review:	Full review scheduled in 2025

82.16.320 - Qualifying Grants – National emergency or state of emergency

Description

Certain financial assistance in the form of a grant or relief from debt provided under a government program to address the impacts of a national emergency declared by the president of the United States or state of emergency declared by the state governor is exempt from PU tax.

Purpose

To help mitigate the economic impacts of the COVID-19 pandemic. Provides guidance on the taxability of any qualifying government grant or loan forgiveness program associated with a future national or state of emergency.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	Indeterminate	Indeterminate	Indeterminate	Indeterminate
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues during a national or state of emergency.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	Indeterminate	Indeterminate	Indeterminate
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

Future emergency situations and the provision of government-funded assistance to taxpayers is unknown, therefore these estimates are indeterminate.

Data Sources

None

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2021
Primary Beneficiaries:	Recipients of government-funded grants or debt relief during a national emergency or state of emergency
Taxpayer Count:	0
Program Inconsistency:	None evident
JLARC Review:	No review completed

82.16.325 - Hauling farm products for relatives

Description

Income associated with hauling agricultural products in situations in which the hauler is related to the farmer who produced the crop or animal is exempt from public utility tax.

Purpose

To provide tax relief for persons who haul farm products for their relatives.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	Minimal	Minimal	Minimal	Minimal
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	Minimal	Minimal	Minimal
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

The situations where this exemption would be applicable are believed to be quite rare. We expect the revenue impact to be minimal during the forecasted period of this study.

Data Sources

Department of Revenue, Excise tax data

Additional Information

Additional Information	
Category:	Agriculture
Year Enacted:	2022
Primary Beneficiaries:	Persons who haul farm products for their relatives
Taxpayer Count:	Minimal
Program Inconsistency:	None evident
JLARC Review:	Expedited review completed in 2015

82.32.045(5)(b) - Minimum to file PU tax return

Description

A business is not required to file an excise tax return with the department if the business:

- Has gross income subject to PU tax of less than $24,000 per year.
- Has gross income subject to B&O tax of less than $125,000 per year.
- Is not required to collect or pay sales tax to the department.
- And is not required to collect or pay any other tax or fee to the department.

Purpose

To reduce administrative costs for taxpayers and department.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would not increase revenue. PU tax does not apply to a business whose gross income, subject to PU tax, is less than $2,000 a month (RCW 82.16.040).

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

Tax savings are included under the impacts of the minimum income threshold - $2,000 per month exemption.

Data Sources

Department of Revenue, Excise tax data

Additional Information

Additional Information	
Category:	Business
Year Enacted:	1935
Primary Beneficiaries:	Small public service and utility businesses
Taxpayer Count:	Indeterminate
Program Inconsistency:	None evident
JLARC Review:	No review completed

82.70.020 - Commute trip reduction credit

Description

Employers who provide financial incentives for their own or other employees to participate in commute trip reduction programs may take a credit against B&O or PU tax. The credit for an employer is:

- Equal to one-half of the employer's expenditure.
- Limited to $60 per employee per year.
- Limited to $100,000 each year.

The program has an annual cap of $2.75 million for both B&O and PU tax credits and currently expires January 1, 2024. No person may claim tax credits after June 30, 2024.

Purpose

To encourage employers to provide financial incentives to employees for car-pooling and other means of reducing air pollution, traffic congestion, and fuel consumption.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.250	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

The credit expires on July 1, 2024; a repeal would result in no revenue impact.

Data Sources

Department of Revenue, Excise tax data

Additional Information

Additional Information	
Category:	Other
Year Enacted:	2003
Primary Beneficiaries:	Employers providing alternate commuting
Taxpayer Count:	10
Program Inconsistency:	None evident
JLARC Review:	Full review completed in 2022

82.73.030 - Commercial area revitalization contributions (main street program)

Description

Subject to limitations, approved contributions made to a qualifying non-profit organization in the Main Street Program or to the Main Street Trust Fund are eligible for a partial B&O or PU tax credit.

The credit is either:
- 75% of the approved contributions made to a Main Street Program.
- 50% of the approved contributions to the Main Street Trust Fund.

The total amount of these credits statewide cannot exceed $5 million per calendar year. Credits are not available for contributions to a program in a municipality with a population of 190,000 or more.

Purpose

Encourages the revitalization of downtown or neighborhood commercial areas.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.880	$0.880	$0.880	$0.880
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this credit would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.810	$0.880	$0.880
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- The estimate of future revenue impacts is based on credits used rather than credits approved.
- The total credit cap of $5 million will be met.
- The proportion of this credit claimed against PU tax and B&O tax will remain consistent.

Data Sources

- Department of Revenue, Excise tax data.

82.73.030 - Commercial area revitalization contributions (main street program)

Additional Information

Additional Information	
Category:	Other
Year Enacted:	2005
Primary Beneficiaries:	Businesses participating in commercial area revitalization.
Taxpayer Count:	24
Program Inconsistency:	None evident
JLARC Review:	Expedited review completed in 2016 with an upcoming review in 2026