

BUSINESS TAXES

PUBLIC UTILITY TAX

35.58.560 METRO TRANSIT EXPENDITURES

Description: Metropolitan municipal corporations (METRO) can credit or offset expenditures made for planning or performing the functions of public transportation against any state tax imposed on gross revenues derived from any authorized function.

Purpose: To support public transportation in King County.

Category/Year Enacted: Government. 1967

Primary Beneficiaries: King County, which assumed the functions of the previous METRO jurisdiction in 1994.

Possible Program Inconsistency: Other municipalities pay public utility tax on income associated with operating transportation systems.

| <u>Taxpayer Savings (\$000)</u> | <u>FY 2004</u> | <u>FY 2005</u> | <u>FY 2006</u> | <u>FY 2007</u> |
|---------------------------------|----------------|----------------|----------------|----------------|
| State tax | \$ 420 | \$ 420 | \$ 420 | \$ 420 |
| Local taxes - not considered. | | | | |

If the exemption were repealed, would the taxpayer savings be realized as increased revenues? Yes.

82.16.020(1d, e) URBAN TRANSPORTATION & VESSELS < 65 FT.

Description: Firms that operate vehicles for public use to convey persons or property for hire either: (1) entirely within a city or with five miles of a city, or (2) between cities which are not more than five miles apart are subject to public utility tax at a rate of 0.642 percent. This rate also applies to vessels for hire which are less than 65 feet in length. The public utility tax rate for other forms of transportation is 3.852 percent.

Purpose: To encourage the use of public transportation.

Category/Year Enacted: Other business. 1935

Primary Beneficiaries: Local transit systems, taxi companies, intra-city delivery firms, etc.

Possible Program Inconsistency: None evident.

| <u>Taxpayer Savings (\$000)</u> | <u>FY 2004</u> | <u>FY 2005</u> | <u>FY 2006</u> | <u>FY 2007</u> |
|---------------------------------|----------------|----------------|----------------|----------------|
| State tax | \$ 4,521 | \$ 4,521 | \$ 4,521 | \$ 4,521 |
| Local taxes - not considered. | | | | |

If the exemption were repealed, would the taxpayer savings be realized as increased revenues? Yes.

BUSINESS TAXES

82.16.040 MONTHLY INCOME < \$2,000

Description: The threshold for public utility tax liability is gross operating income of \$2,000 per month. The exemption does not apply if income equals or exceeds \$2,000 per month.

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

Category/Year Enacted: Other business. 1935

Primary Beneficiaries: Small utility firms.

Possible Program Inconsistency: None evident.

| <u>Taxpayer Savings (\$000)</u> | <u>FY 2004</u> | <u>FY 2005</u> | <u>FY 2006</u> | <u>FY 2007</u> |
|---------------------------------|----------------|----------------|----------------|----------------|
| State tax | \$ 500 | \$ 500 | \$ 500 | \$ 500 |
| Local taxes - not considered. | | | | |

If the exemption were repealed, would the taxpayer savings be realized as increased revenues? Yes.

82.16.042 SMALL WATER SYSTEMS

Description: Exemption from public utility tax is allowed for amounts received for the provision of water services by: (1) water-sewer districts established under Title 57 RCW which have fewer than 1,500 connections, (2) irrigation districts established under Title 87 RCW which have fewer than 1,500 connections, and (3) qualified satellite systems pursuant to RCW 70.116.134 which have fewer than 200 connections. To qualify, the rates charged by these systems must exceed 125 percent of the statewide average rate for water, as determined by the Dept. of Health. The district must spend at least 90 percent of the value of the exemption on repair, maintenance and upgrading of the water system. This exemption is scheduled to expire on July 1, 2004.

Purpose: To assist small water providers whose systems may not be economically efficient to operate.

Category/Year Enacted: Government. 1997

Primary Beneficiaries: Small water systems.

Possible Program Inconsistency: None evident.

| <u>Taxpayer Savings (\$000)</u> | <u>FY 2004</u> | <u>FY 2005</u> | <u>FY 2006</u> | <u>FY 2007</u> |
|---------------------------------|----------------|----------------|----------------|----------------|
| State tax | \$ 230 | \$ 20 | \$ 0 | \$ 0 |
| Local taxes - not considered. | | | | |

If the exemption were repealed, would the taxpayer savings be realized as increased revenues? Yes.

BUSINESS TAXES

82.16.045 POLLUTION CONTROL CREDIT 82.34.060(2)

Description: A credit against public utility tax is allowed for up to 50 percent of the installation cost of required pollution control facilities. Two percent of the allowable credit may be taken each year.

Purpose: To encourage pollution control and to compensate existing companies for the costs of meeting upgraded pollution standards.

Category/Year Enacted: Other business. 1967; new applications not allowable after 1981.

Primary Beneficiaries: Firms required to install pollution control facilities, primarily in the lumber and wood products, paper, aluminum and food products industries. A total of 151 firms have applied for the B&O, public utility or use tax credits. Sixty firms have a remaining credit balance totaling \$30 million at the end of FY 2003.

Possible Program Inconsistency: None evident.

| <u>Taxpayer Savings (\$000)</u> | <u>FY 2004</u> | <u>FY 2005</u> | <u>FY 2006</u> | <u>FY 2007</u> |
|---------------------------------|----------------|----------------|----------------|----------------|
| State tax | \$ 1,635 | \$ 1,472 | \$ 1,325 | \$ 1,192 |
| Local taxes - not considered. | | | | |

If the exemption were repealed, would the taxpayer savings be realized as increased revenues? No.

82.16.046 2nd NARROWS BRIDGE

Description: Income derived from operation of state route 16 corridor transportation systems and facilities constructed and operated under RCW 47.46 is exempt from public utility tax. This statute addresses the second bridge over Puget Sound at the Tacoma Narrows and exempts from public utility tax any tolls received by the operator of the bridge.

Purpose: To lower the overall cost of operating the bridge.

Category/Year Enacted: Tax base. 1998

Primary Beneficiaries: Businesses contracted by the state to operate the bridge facilities and ultimately the drivers who use the bridge.

Possible Program Inconsistency: None evident.

Taxpayer Savings (\$000) None. It is understood that the tolls will actually be received by the state, not the firm contracted to collect the tolls. The contractor will be subject to B&O tax on the amount paid by the state to perform this service.

BUSINESS TAXES

82.16.047 COMMUTE TRIP REDUCTION; SPECIAL NEEDS TRANSPORTATION

Description: An exemption is allowed from public utility tax for funds received in conjunction with commuter ride-sharing (e.g., vanpools) and receipts by nonprofit social service organizations that provide transportation services for persons with special transportation needs.

Purpose: To promote ride sharing and conservation of fuel and to help relieve traffic congestion. Also to support programs that help to provide mobility for persons with special transportation needs.

Category/Year Enacted: Other. 1979

Primary Beneficiaries: Approximately 67 private, nonprofit transportation providers and public transportation systems that provide transportation services.

Possible Program Inconsistency: None evident.

| <u>Taxpayer Savings (\$000)</u> | <u>FY 2004</u> | <u>FY 2005</u> | <u>FY 2006</u> | <u>FY 2007</u> |
|---------------------------------|----------------|----------------|----------------|----------------|
| State tax | \$ 275 | \$ 297 | \$ 321 | \$ 347 |
| Local taxes - not considered. | | | | |

If the exemption were repealed, would the taxpayer savings be realized as increased revenues? Yes.

82.16.0491 RURAL ELECTRIC UTILITY CONTRIBUTIONS

Description: A credit against public utility tax is allowed for up to 50 percent of the contributions made to an electric utility rural economic development revolving fund by a light and power company. In order to qualify, the revolving fund must be for a rural county with an average population density of fewer than 100 persons per square mile. To take the credit the light and power company must have fewer than 26 meters per mile of electric distribution line. Total tax credits are limited to \$350,000 annually and the maximum a particular firm may take is \$25,000. The right to earn new tax credits under this statute is scheduled to expire on December 31, 2005. However, eligible contributions made before this date may still be taken as tax credits subsequently.

Purpose: To encourage economic development in rural areas.

Category/Year Enacted: Other business. 1999

Primary Beneficiaries: Approximately one dozen light and power companies are taking the credit.

Possible Program Inconsistency: None evident.

| <u>Taxpayer Savings (\$000)</u> | <u>FY 2004</u> | <u>FY 2005</u> | <u>FY 2006</u> | <u>FY 2007*</u> |
|---------------------------------|----------------|----------------|----------------|-----------------|
| State tax | \$ 300 | \$ 300 | \$ 300 | \$ 0 |
| Local taxes - not considered. | | | | |

*Some carryover of prior contributions after the expiration date of 12/31/2005 is assumed.

If the exemption were repealed, would the taxpayer savings be realized as increased revenues? Yes.

BUSINESS TAXES

82.16.0495 POWER PURCHASED BY DSI CUSTOMERS

Description: A credit against public utility tax is provided for income from sales of electricity to direct service industries (DSIs), if the electric utility constructs a new power plant to supply the needs of the DSI firm. DSIs are firms that purchase electric power directly from the Bonneville Power Administration. The tax credit lasts for a 60 month period, and the law requires that the benefit of the credit be passed on to the DSI customer, as long as the DSI maintains existing employment levels for at least five years. Also, a 10 year contract to supply power to the DSI is required.

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

Category/Year Enacted: Business incentive. 2001

Primary Beneficiaries: To date, no firm has applied for this tax credit.

Possible Program Inconsistency: None evident.

Taxpayer Savings (\$000) None.

If the exemption were repealed, would the taxpayer savings be realized as increased revenues?
Yes, assuming some firms were actually taking the credit.

82.16.0497 CREDIT FOR BILLING DISCOUNTS

Description: A credit against public utility tax liability is allowed for 50 percent of the billing discounts provided to low-income households by light and power companies and natural gas distribution firms. The credit is limited to amounts in excess of 125 percent of the amounts provided in fiscal year 2000. The total of these credits for all firms is capped at \$2.5 million annually.

Purpose: To encourage electric and gas companies to provide discounts to low-income customers.

Category/Year Enacted: Other business. 2001

Primary Beneficiaries: Approximately 15 firms utilize this tax credit.

Possible Program Inconsistency: None evident.

| <u>Taxpayer Savings (\$000)</u> | <u>FY 2004</u> | <u>FY 2005</u> | <u>FY 2006</u> | <u>FY 2007</u> |
|---------------------------------|----------------|----------------|----------------|----------------|
| State tax | \$ 2,500 | \$ 2,500 | \$ 2,500 | \$ 2,500 |
| Local taxes - not considered. | | | | |

If the exemption were repealed, would the taxpayer savings be realized as increased revenues? Yes.

BUSINESS TAXES

82.16.050(1) RECEIPTS FROM TAXES

Description: A deduction from gross operating income subject to public utility tax is allowed for revenues received via local taxes levied by local governments for the support of municipally owned or operated public service businesses. This principally covers municipal water, sewer and transit systems.

Purpose: To eliminate the possibility of pyramiding by applying a state tax to amounts derived from local utility taxes.

Category/Year Enacted: Tax base. 1935

Primary Beneficiaries: Municipal utilities.

Possible Program Inconsistency: None evident.

| <u>Taxpayer Savings (\$000)</u> | <u>FY 2004</u> | <u>FY 2005</u> | <u>FY 2006</u> | <u>FY 2007</u> |
|---------------------------------|----------------|----------------|----------------|----------------|
| State tax | \$ 11,087 | \$ 11,641 | \$ 12,223 | \$ 12,835 |
| Local taxes - not considered. | | | | |

If the exemption were repealed, would the taxpayer savings be realized as increased revenues? No.

82.16.050(2) SALES FOR RESALE

Description: A deduction from gross operating income subject to public utility tax is allowed for sales made to other public utility firms that resell the commodity within the state.

Purpose: To avoid pyramiding of the public utility tax.

Category/Year Enacted: Tax base. 1935

Primary Beneficiaries: Natural gas and water utilities.

Possible Program Inconsistency: None evident.

| <u>Taxpayer Savings (\$000)</u> | <u>FY 2004</u> | <u>FY 2005</u> | <u>FY 2006</u> | <u>FY 2007</u> |
|---------------------------------|----------------|----------------|----------------|----------------|
| State tax | \$ 3,000 | \$ 3,000 | \$ 3,000 | \$ 3,000 |
| Local taxes - not considered. | | | | |

If the exemption were repealed, would the taxpayer savings be realized as increased revenues? No; not unless the tax were intended to pyramid.

BUSINESS TAXES

82.16.050(3) JOINT UTILITY SERVICES

Description: A deduction from gross operating income subject to public utility tax is allowed for payments made to another public service firm relating to services provided jointly by both firms, as long as the payment is reported as taxable income by the firm making the payment and is subject to public utility tax by the firm that receives the payment.

Purpose: To eliminate pyramiding of the public utility tax.

Category/Year Enacted: Tax base. 1935

Primary Beneficiaries: Firms that jointly provide utility services to customers.

Possible Program Inconsistency: None evident.

| <u>Taxpayer Savings (\$000)</u> | <u>FY 2004</u> | <u>FY 2005</u> | <u>FY 2006</u> | <u>FY 2007</u> |
|---------------------------------|----------------|----------------|----------------|----------------|
| State tax | \$ 16,000 | \$ 16,000 | \$ 16,000 | \$ 16,000 |
| Local taxes - not considered. | | | | |

If the exemption were repealed, would the taxpayer savings be realized as increased revenues? No.

82.16.050(4) CASH DISCOUNTS

Description: A deduction from gross operating income subject to public utility tax is allowed for cash discounts taken by customers, if the cash discounts were included in gross revenue reported by the firm.

Purpose: The deduction recognizes that this income is not actually received by the firm.

Category/Year Enacted: Tax base. 1935

Primary Beneficiaries: Utility firms that offer cash discounts to customers.

Possible Program Inconsistency: None evident.

| <u>Taxpayer Savings (\$000)</u> | <u>FY 2004</u> | <u>FY 2005</u> | <u>FY 2006</u> | <u>FY 2007</u> |
|---------------------------------|----------------|----------------|----------------|----------------|
| State tax | \$ 7,500 | \$ 7,500 | \$ 7,500 | \$ 7,500 |
| Local taxes - not considered. | | | | |

If the exemption were repealed, would the taxpayer savings be realized as increased revenues? No.

BUSINESS TAXES

82.16.050(5) CREDIT LOSSES

Description: A deduction from gross operating income subject to public utility tax is allowed for the amount of losses resulting from nonpayment of accounts, as long as the taxpayers maintain their books on an accrual basis.

Purpose: To recognize that no income is actually received by the seller and to provide equity with taxpayers who maintain their books on the cash basis.

Category/Year Enacted: Other business. 1935

Primary Beneficiaries: Any firm that uses the accrual method of accounting and experiences unpaid debts.

Possible Program Inconsistency: None evident.

| <u>Taxpayer Savings (\$000)</u> | <u>FY 2004</u> | <u>FY 2005</u> | <u>FY 2006</u> | <u>FY 2007</u> |
|---------------------------------|----------------|----------------|----------------|----------------|
| State tax | \$ 2,100 | \$ 2,100 | \$ 2,100 | \$ 2,100 |
| Local taxes - not considered. | | | | |

If the exemption were repealed, would the taxpayer savings be realized as increased revenues? Unlikely.

82.16.050(6) CONSTITUTIONAL EXEMPTIONS

Description: A deduction from gross operating income subject to public utility tax is allowed for amounts derived from business which the state is prohibited from taxing under the constitution of the state or constitution or laws of the U.S. The primary activity exempted from public utility tax for constitutional reasons is transportation of persons or property across state lines in interstate commerce.

Purpose: To avoid interfering with interstate or foreign commerce.

Category/Year Enacted: Commerce. 1935

Primary Beneficiaries: Truckers, airlines, railroads, busses, etc.

Possible Program Inconsistency: None evident.

| <u>Taxpayer Savings (\$000)</u> | <u>FY 2004</u> | <u>FY 2005</u> | <u>FY 2006</u> | <u>FY 2007</u> |
|---------------------------------|----------------|----------------|----------------|----------------|
| State tax | \$104,120 | \$107,243 | \$110,461 | \$113,175 |
| Local taxes - not considered. | | | | |

If the exemption were repealed, would the taxpayer savings be realized as increased revenues? No.

BUSINESS TAXES

82.16.050(6) IN-STATE PORTION OF INTERSTATE TRANSPORTATION

Description: A sub-set of the above exemption for constitutional reasons relates to transportation of persons or property which crosses Washington boundaries. Under current law income from the entire trip is deductible from public utility tax if it crosses the state boundaries. For example, a bus trip from Seattle to Spokane is subject to tax, but a trip from Seattle to Coeur d'Alene, Idaho is entirely exempt.

Purpose: This policy reflects the interpretation that states may not tax interstate commerce. However, there may be a possibility that the state could legally tax the portion of interstate transportation which occurs within the state, if a reasonable apportionment formula could be developed.

Category/Year Enacted: Commerce. 1935

Primary Beneficiaries: Interstate transportation companies and their passengers. NOTE: air transportation is excluded due to the U.S. Supreme Court decision in the 1983 Aloha Airlines case.

Possible Program Inconsistency: None evident.

| <u>Taxpayer Savings (\$000)</u> | <u>FY 2004</u> | <u>FY 2005</u> | <u>FY 2006</u> | <u>FY 2007</u> |
|---------------------------------|----------------|----------------|----------------|----------------|
| State tax | \$ 4,633 | \$ 4,772 | \$ 4,916 | \$ 5,063 |
| Local taxes - not considered. | | | | |

If the exemption were repealed, would the taxpayer savings be realized as increased revenues?
Possibly; it would depend upon an interpretation by the courts.

82.16.050(7) IRRIGATION WATER

Description: A deduction from gross operating income subject to public utility tax is allowed for income derived from the distribution of water used for the purpose of irrigation.

Purpose: To lower the cost of irrigation water for agricultural producers.

Category/Year Enacted: Agriculture. 1935

Primary Beneficiaries: Approximately 46 irrigation districts and their customers.

Possible Program Inconsistency: None evident.

| <u>Taxpayer Savings (\$000)</u> | <u>FY 2004</u> | <u>FY 2005</u> | <u>FY 2006</u> | <u>FY 2007</u> |
|---------------------------------|----------------|----------------|----------------|----------------|
| State tax | \$ 360 | \$ 450 | \$ 563 | \$ 704 |
| Local taxes - not considered. | | | | |

If the exemption were repealed, would the taxpayer savings be realized as increased revenues? Yes.

BUSINESS TAXES

82.16.050(8) INTERSTATE TRANSPORTATION - THROUGH FREIGHT

Description: A deduction from gross operating income subject to public utility tax is allowed for income received from transportation within the state relating to imported or exported goods which have technically ceased movement in interstate commerce. Such items must have been shipped under a "through freight" billing.

Purpose: Current practice is not to tax the transportation of persons or property across state lines because of the constitutional prohibition of taxing interstate commerce. This exemption extends that favorable treatment by ignoring temporary stops within Washington before the goods reach their ultimate destination.

Category/Year Enacted: Commerce. 1937

Primary Beneficiaries: Shippers of goods passing through the state.

Possible Program Inconsistency: None evident.

| <u>Taxpayer Savings (\$000)</u> | <u>FY 2004</u> | <u>FY 2005</u> | <u>FY 2006</u> | <u>FY 2007</u> |
|---------------------------------|----------------|----------------|----------------|----------------|
| State tax | \$ 14,317 | \$ 14,746 | \$ 15,188 | \$ 15,644 |
| Local taxes - not considered. | | | | |

If the exemption were repealed, would the taxpayer savings be realized as increased revenues? No.

82.16.050(8) SHIPMENTS TO PORTS

Description: A deduction from gross operating income subject to public utility tax is allowed for income derived from shipping products produced in Washington to export facilities in the state, including docks, wharfs and elevators, if the products are then shipped outside of the state in vessels. The deduction does not apply if the shipment occurs solely within the same city.

Purpose: To promote the export of Washington products.

Category/Year Enacted: Agriculture. 1937

Primary Beneficiaries: Firms that transport agricultural products to Washington ports.

Possible Program Inconsistency: None evident.

| <u>Taxpayer Savings (\$000)</u> | <u>FY 2004</u> | <u>FY 2005</u> | <u>FY 2006</u> | <u>FY 2007</u> |
|---------------------------------|----------------|----------------|----------------|----------------|
| State tax | \$ 6,768 | \$ 6,971 | \$ 7,180 | \$ 7,395 |
| Local taxes - not considered. | | | | |

If the exemption were repealed, would the taxpayer savings be realized as increased revenues? Yes.

BUSINESS TAXES

82.16.050(9) ELECTRIC POWER THAT IS RESOLD OR EXPORTED

Description: A deduction from gross operating income subject to public utility tax is allowed for amounts derived from the production, sale or transfer of electrical energy for resale within or outside of the state or for consumption outside of the state.

Purpose: To reflect a court decision barring direct taxation of interstate power sales, and to avoid pyramiding of the tax on in-state sales of power for resale.

Category/Year Enacted: Tax base. 1989; expanded in 2000.

Primary Beneficiaries: Light and power businesses and power marketers.

Possible Program Inconsistency: None evident.

| <u>Taxpayer Savings (\$000)</u> | <u>FY 2004</u> | <u>FY 2005</u> | <u>FY 2006</u> | <u>FY 2007</u> |
|---------------------------------|----------------|----------------|----------------|----------------|
| State tax | \$250,000 | \$250,000 | \$250,000 | \$250,000 |
| Local taxes - not considered. | | | | |

If the exemption were repealed, would the taxpayer savings be realized as increased revenues? No.

82.16.050(10) NONPROFIT WATER ASSOCIATIONS

Description: A deduction from gross operating income subject to public utility tax is allowed for income derived from the distribution of water by a nonprofit water association, if the income is used for capital improvements of the association.

Purpose: To promote capital improvements and expansion of water distribution systems.

Category/Year Enacted: Nonprofit - other. 1977

Primary Beneficiaries: Nonprofit water associations and their members.

Possible Program Inconsistency: None evident.

| <u>Taxpayer Savings (\$000)</u> | <u>FY 2004</u> | <u>FY 2005</u> | <u>FY 2006</u> | <u>FY 2007</u> |
|---------------------------------|----------------|----------------|----------------|----------------|
| State tax | \$ 200 | \$ 200 | \$ 200 | \$ 200 |
| Local taxes - not considered. | | | | |

If the exemption were repealed, would the taxpayer savings be realized as increased revenues? Yes.

BUSINESS TAXES

82.16.050(11) DISPOSAL OF SEWERAGE

Description: A deduction from gross operating income subject to public utility tax is allowed for amounts paid to other firms for the treatment or disposal of sewerage. Public utility tax applies only to the actual collection of sewerage, not processing (these activities are subject to B&O tax). If the firm that collects the sewerage contracts with other firms for treatment and disposal services, the amounts paid to these firms are deductible.

Purpose: To ensure that public utility tax applies only to the collection activity.

Category/Year Enacted: Tax base. 1987

Primary Beneficiaries: Sewerage collection firms.

Possible Program Inconsistency: None evident.

| <u>Taxpayer Savings (\$000)</u> | <u>FY 2004</u> | <u>FY 2005</u> | <u>FY 2006</u> | <u>FY 2007</u> |
|---------------------------------|----------------|----------------|----------------|----------------|
| State tax | \$ 4,161 | \$ 4,298 | \$ 4,440 | \$ 4,587 |
| Local taxes - not considered. | | | | |

If the exemption were repealed, would the taxpayer savings be realized as increased revenues? Yes, although this would represent a major tax policy change regarding taxation of sewerage.

82.16.053 LOW-DENSITY ELECTRIC POWER

Description: A deduction from gross operating income subject to public utility tax is allowed for light and power businesses whose customers are geographically dispersed. The amount of the deduction is based on the number of customers per mile of distribution line. The maximum deduction for a firm is equal to \$400,000 per month.

Purpose: To reduce the cost of providing electricity to areas with geographically dispersed customers.

Category/Year Enacted: Other business. 1994; deductible amounts increased in 1996.

Primary Beneficiaries: Public utility districts, power and light cooperatives and rural electric associations and their customers.

Possible Program Inconsistency: None evident.

| <u>Taxpayer Savings (\$000)</u> | <u>FY 2004</u> | <u>FY 2005</u> | <u>FY 2006</u> | <u>FY 2007</u> |
|---------------------------------|----------------|----------------|----------------|----------------|
| State tax | \$ 1,000 | \$ 1,000 | \$ 1,000 | \$ 1,000 |
| Local taxes - not considered. | | | | |

If the exemption were repealed, would the taxpayer savings be realized as increased revenues? Yes.

BUSINESS TAXES

82.16.055 COGENERATION AND RENEWABLE RESOURCES

Description: A deduction from gross operating income subject to public utility tax is allowed for the cost of producing energy through: (1) cogeneration facilities as defined in RCW 82.35.020, or (2) renewable energy resources such as solar energy, wind, hydroelectric, wood, and agricultural products. The deduction is also allowed for expenditures to reduce or improve the efficiency of energy use by consumers. The deduction applies only to new facilities or measure to improve energy use on which construction or installation began after June 12, 1980 and before January 1, 1990. The deduction for cogeneration facilities is allowed for a period of up to 30 years.

Purpose: To encourage investment in cogeneration facilities and the use of renewable energy resources.

Category/Year Enacted: Business incentive. 1980

Primary Beneficiaries: Approximately four light and power firms are using this deduction.

Possible Program Inconsistency: None evident.

| <u>Taxpayer Savings (\$000)</u> | <u>FY 2004</u> | <u>FY 2005</u> | <u>FY 2006</u> | <u>FY 2007</u> |
|---------------------------------|----------------|----------------|----------------|----------------|
| State tax | \$ 200 | \$ 200 | \$ 200 | \$ 200 |
| Local taxes - not considered. | | | | |

If the exemption were repealed, would the taxpayer savings be realized as increased revenues? Yes.

82.70.020 CREDIT FOR COMMUTE TRIP REDUCTION

Description: A credit against public utility tax is allowed for employers who provide financial incentives for their own or other employees to participate in commute trip reduction programs. The amount of the tax credit is equal to one-half of the employer's expenditure and is limited to \$60 per employee per year. Any single firm may claim a maximum of \$200,000 in credits each year, and the program is capped at \$2.25 million annually for both B&O and public utility tax credits. The tax credit program is currently scheduled to expire on July 1, 2013.

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

Category/Year Enacted: Other. 2003

Primary Beneficiaries: The current program was effective on July 1, 2003, so the number of participating firms on an annual basis is not yet known.

Possible Program Inconsistency: None evident.

| <u>Taxpayer Savings (\$000)</u> | <u>FY 2004</u> | <u>FY 2005</u> | <u>FY 2006</u> | <u>FY 2007</u> |
|---------------------------------|----------------|----------------|----------------|----------------|
| State tax | \$ 315 | \$ 315 | \$ 315 | \$ 315 |
| Local taxes - not considered. | | | | |

If the exemption were repealed, would the taxpayer savings be realized as increased revenues? Yes.