Chapter 18
Public Utility Tax

35.58.560 - METRO transit expenditures

Description

Metropolitan municipal corporations may request a refund of the motor vehicle fuel tax paid on each gallon fuel used for urban passenger transportation systems. The entire trip is disqualified from the refund if the trip goes more than six road miles beyond the corporate limits of the Metro boundaries.

Purpose

To support public transportation systems.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.131	$0.131	$0.131	$0.131
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 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.120	$0.131	$0.131
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- No growth in this exemption.
- July 1, 2020, effective date, 11 months of cash collections in Fiscal Year 2021.

Data Sources

Department of Revenue excise tax data

Additional Information

Additional Information	
Category:	Government
Year Enacted:	1967
Primary Beneficiaries:	Municipal transit corporations
Taxpayer Count:	3
Program Inconsistency:	None evident
JLARC Review:	JLARC completed an expedited report in 2010

82.16.020(1)(d) - Urban transportation

Description

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

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; or,
- Within five miles of the corporate limits of either.

Purpose

Reduces costs for local transit authorities and qualifying businesses.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$6.070	$6.473	$6.903	$7.361
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 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$5.934	$6.903	$7.361
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- July 1, 2020, effective date, with 11 months of collections in Fiscal Year 2021.
- Annual growth rate of 7 percent based on 10 year average.

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:	2,550
Program Inconsistency:	None evident
JLARC Review:	JLARC completed a full review in 2008

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

Description

Vessels under sixty-five 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 percent. The public utility tax rate for most other forms of transportation is 1.926 percent.

Purpose

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

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.040	$0.040	$0.041	$0.041
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 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.037	$0.041	$0.041
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- July 1, 2020, effective date, with 11 months of collections in Fiscal Year 2021.
- Annual growth rate of 1 percent based on 10 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:	14
Program Inconsistency:	None evident
JLARC Review:	JLARC completed a full review in 2008

82.16.020(1)(h) - Log transportation businesses

Description

RCW 82.16.020 provides log transportation businesses a preferential public utility tax rate of 1.28 percent (but with the surcharge, equates to 1.3696 percent). This preference is effective August 1, 2015.

"Log transportation business" is the business of transporting logs by truck, except when such transportation meets the definition of urban transportation business or occurs exclusively upon private roads.

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 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.838	$0.874	$0.906	$0.941
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase tax revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.801	$0.906	$0.941
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- July 1, 2020, effective date, with 11 months of collections in Fiscal Year 2021.
- Tax rate difference between 1.926 percent and 1.3696 percent is the measure of tax savings.
- Growth mirrors March 2019 forecast for other public service businesses public utility tax.

Data Sources

- Department of Revenue excise tax data
- Economic Revenue Forecast Council's March 2019 forecast

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2015
Primary Beneficiaries:	Log haulers
Taxpayer Count:	700
Program Inconsistency:	None evident
JLARC Review:	JLARC completed an expedited report 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 2020	FY 2021	FY 2022	FY 2023
State Taxes	$1.911	$1.982	$2.053	$2.127
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 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$1.817	$2.053	$2.127
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- July 1, 2020, effective date, with 11 months of collections in Fiscal Year 2021.
- Washington State Economic and Revenue Forecast Council March 2019 forecast.

Data Sources

Department of Revenue excise tax data

Additional Information

Additional Information	
Category:	Business
Year Enacted:	1997
Primary Beneficiaries:	Small public service and utility firms
Taxpayer Count:	1,000
Program Inconsistency:	None evident
JLARC Review:	JLARC completed an expedited report in 2008

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 2020	FY 2021	FY 2022	FY 2023
State Taxes	D	D	D	D
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 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	D	D	D
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

Fewer than three taxpayers benefit from this exemption; revenue impact may not be disclosed.

Data Sources

Department of Revenue excise tax data

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2004
Primary Beneficiaries:	Firms in the electrolytic processing business
Taxpayer Count:	Fewer than three taxpayers
Program Inconsistency:	None evident
JLARC Review:	JLARC completed a full review in 2009

82.16.045; 82.34.060(2) - Pollution control facilities

Description

Provides a credit against public utility tax for up to 50 percent of the cost of required pollution control facilities. The total annual credit is limited to 2 percent of the cost of such facilities.

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 2020	FY 2021	FY 2022	FY 2023
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 possibly increase revenues. Taxpayers may argue that they have a vested right to credits currently being taken that were authorized under prior law.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- The entire credit is taken against B&O tax.
- Revenue impact is included under the B&O credit found in RCW 82.04.427.

Data Sources

Department of Revenue excise tax data

Additional Information

Additional Information	
Category:	Business
Year Enacted:	1967
Primary Beneficiaries:	Firms required to install pollution control facilities, primarily in the lumber and wood products, paper, aluminum and food products industries
Taxpayer Count:	0
Program Inconsistency:	None evident
JLARC Review:	JLARC completed an expedited report in 2010

82.16.046 - 2nd 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 under RCW 47.46. 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 bridge.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
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. Tolls will be received by the state, not the firm 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 2020	FY 2021	FY 2022	FY 2023
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; there is no impact on public utility tax.

Data Sources

None

Additional Information

Additional Information	
Category:	Tax Base
Year Enacted:	1998
Primary Beneficiaries:	None
Taxpayer Count:	0
Program Inconsistency:	None evident
JLARC Review:	JLARC completed expedited report in 2014

82.16.047 - Ride-sharing and special needs transportation

Description

Ride sharing receipts are exempt from public utility tax for:
- Vanpools and carpools used for commuter ride sharing; and,
- Public social service agencies or private, nonprofit transportation providers that transport persons with special transportation needs.

Purpose

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

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.742	$0.783	$0.826	$0.871
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 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.718	$0.826	$0.871
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- July 1, 2020, effective date, with 11 months of collections in Fiscal Year 2021.
- Twenty percent of the trips are out-of-county.
- Income from providing these services result from government funding.
- Growth mirrors the cost of funding provided for these services.

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 providing transportation services
Taxpayer Count:	139
Program Inconsistency:	None evident
JLARC Review:	JLARC completed an expedited report in 2011

82.16.0491 - Rural electric utility contributions

Description

A light and power business may take a credit up to $25,000 per year against public utility tax for up to 50 percent of the contributions made to an electric utility rural economic development revolving fund. In order to qualify, the revolving fund must be for a county with a population density of fewer than 100 persons per square mile, a county smaller than 225 square miles, or any geographic area in the state that receives electricity from a light and power business with 12,000 or fewer customers. Total tax credits for all qualifying businesses are limited to $350,000 annually. A qualifying light and power business can carry over unused credits to subsequent years. The right to earn new tax credits expired on June 30, 2011.

Purpose

To improve economic, health, and safety conditions, and facilitate conservation and development of renewable energy resources, in qualifying rural areas.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
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 will not increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

This credit expired June 30, 2011.

Data Sources

Department of Revenue public utilities tax data

Additional Information

Additional Information	
Category:	Business
Year Enacted:	1999
Primary Beneficiaries:	Light and power companies
Taxpayer Count:	0
Program Inconsistency:	None evident
JLARC Review:	JLARC completed a full review in 2009

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 such sales will be made for at least ten consecutive years and the price of the electricity will be reduced 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 2020	FY 2021	FY 2022	FY 2023
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 increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

No taxpayers are currently taking this credit.

Data Sources

Department of Revenue excise tax data

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2001
Primary Beneficiaries:	Direct service industry firms
Taxpayer Count:	0
Program Inconsistency:	None evident
JLARC Review:	JLARC completed an expedited report in 2015

82.16.0496 - Alternative fuel commercial vehicle tax credit

Description

A credit is allowed against either B&O tax or PUT 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 percent 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 fifty percent of the incremental cost amount multiplied by a lease reduction factor. For converted vehicles, the credit is $25,000 or 50 percent 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 ten 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 State 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 percent 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. The credit for infrastructure is limited to $2 million dollars annually.

On September 1 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 dollars. The maximum total credit taken since July 15, 2015, cannot exceed $32.5 million.

Purpose

Alternative fuel commercial vehicles cost more than comparable conventional fuel vehicles. The credit provides businesses an incentive to purchase alternative fuel commercial vehicles or convert conventional fuel vehicles to be powered by cleaner alternative fuels, as well as install alternative fuel infrastructure which is in line with the state's climate and environmental goals.

82.16.0496 - Alternative fuel commercial vehicle tax credit

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.150	$0.170	$0.200	$0.230
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 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.156	$0.200	$0.230
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

Based on credit taken, annual growth is 15% and includes the alternative fuel infrastructure.

Data Sources

Department of Revenue excise tax returns

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2015
Primary Beneficiaries:	Businesses purchasing commercial clean alternative fuel vehicles or converting used commercial vehicles principally powered by clean alternative fuel
Taxpayer Count:	5
Program Inconsistency:	None evident
JLARC Review:	Not reviewed by JLARC

82.04.0496(1)(a)(ii) - Alternative fuel commercial vehicle infrastructure credit

Description

A credit is allowed against either B&O tax or PUT 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 percent 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 fifty percent of the incremental cost amount multiplied by a lease reduction factor. For converted vehicles, the credit is $25,000 or 50 percent 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; is less than ten years past the original manufacturing date; is modified after the initial purchase with a United States environmental protection agency certified conversion that would allow the propulsion units to be principally powered by a clean alternative fuel; 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 State 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 percent 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. The credit for infrastructure is limited to $2 million dollars annually.

On September 1 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 dollars. The maximum total credit taken since July 15, 2015, cannot exceed $32.5 million.

Purpose

Alternative fuel commercial vehicles cost more than comparable conventional fuel vehicles. The credit provides businesses an incentive to purchase alternative fuel commercial vehicles or convert conventional fuel vehicles to be powered by cleaner alternative fuels, as well as install alternative fuel infrastructure which is in line with the state's climate and environmental goals.

82.04.0496(1)(a)(ii) - Alternative fuel commercial vehicle infrastructure credit

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
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 increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

Unable to separate the credit relating to alternative fuel vehicle infrastructure from the commercial vehicles. See RCW 82.16.0496(1) revenue details.

Data Sources

Department of Revenue excise tax returns

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2015
Primary Beneficiaries:	Businesses installing alternative fuel infrastructure
Taxpayer Count:	5
Program Inconsistency:	None evident
JLARC Review:	Not reviewed by JLARC

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 percent 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 percent 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 2020	FY 2021	FY 2022	FY 2023
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 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$2.300	$2.500	$2.500
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

Eleven months of collections due to July 1, 2020, effective date.

Data Sources

Department of Revenue excise tax returns

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:	Not reviewed by JLARC

82.16.0498 - Aluminum smelter purchases of power

Description

Income derived from the sale of electricity, natural gas or manufactured gas to an aluminum smelter is exempt from public utility tax. The contract for the sale of the power must specify that the price charged will be reduced by the amount of the tax savings for the utility company. The exemption is taken in the form of a credit against the utility's public utility tax liability.

Purpose

To support the aluminum industry.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	D	D	D	D
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 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	D	D	D
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

Fewer than three taxpayers benefit from this exemption; the revenue impact may not be disclosed.

Data Sources

Department of Revenue excise tax returns

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2004
Primary Beneficiaries:	Aluminum industry
Taxpayer Count:	Fewer than three taxpayers
Program Inconsistency:	None evident
JLARC Review:	JLARC completed a full review in 2015

82.16.0499 - Hiring veterans

Description

This preference provides employers a Public Utility Tax (PUT) tax credit for hiring unemployed veterans. However, no business may claim a credit against taxes due under both B&O and PUT taxes for the same employee.

The credit equals 20 percent of wages and benefits paid up to a maximum of $1,500 for each qualified employee hired on or after October 1, 2016. No credit may be claimed until a qualified employee has been employed for at least two consecutive calendar quarters. The total statewide credit cap is $500,000 per fiscal year. Credits are earned through June 30, 2022. No credits can be claimed after June 30, 2023.

Purpose

Encourage businesses to hire veterans.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.007	$0.011	$0.016	$0.003
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 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.010	$0.016	$0.003
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- Taxpayers continue to learn about this credit and this increase the credit approved by 38 percent each year through Fiscal Year 2022.
- Taxpayers continue to take approximately 55 percent more credit each year through Fiscal Year 2022 and take the remaining credit in Fiscal Year 2023.

Data Sources

Department of Revenue excise tax credit data

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2015
Primary Beneficiaries:	Businesses that hire veterans and veterans
Taxpayer Count:	3
Program Inconsistency:	None evident
JLARC Review:	Not reviewed by JLARC

82.16.050(1) - Municipal utilities receipts from taxes

Description

Municipally owned or operated public service businesses may deduct amounts received directly from local taxes levied for their support from their gross income subject to the public utility tax.

Purpose

To avoid taxing amounts derived from local utility taxes.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.765	$0.788	$0.811	$0.836
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 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.722	$0.811	$0.836
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- Special Assessment totals will grow based on the average growth rate of previous years.
- Special Assessment amounts for utilities will be approximately one-third of the total of special assessments.
- July 1, 2020, effective date, with 11 months of collections in Fiscal Year 2021.

Data Sources

State Auditor's report on special assessments for cities/towns

Additional Information

Additional Information	
Category:	Tax Base
Year Enacted:	1935
Primary Beneficiaries:	Municipal utilities which finance utility capital construction through assessments or taxes levied on property
Taxpayer Count:	40
Program Inconsistency:	None evident
JLARC Review:	JLARC completed a full review in 2009

82.16.050(2) - Sales for resale

Description

Businesses may deduct amounts derived from sales of commodities to persons in the same public service business that resell the commodity within the state from their gross income subject to the public utility tax. The deduction is available only to water distribution, gas distribution, or other public service businesses which furnish water, gas, or any other commodity in the performance of public service businesses.

Purpose

To avoid pyramiding of the public utility tax.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$3.585	$3.769	$3.960	$4.156
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 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$3.455	$3.960	$4.156
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

July 1, 2020, effective date, with 11 months of collections in Fiscal Year 2021.

Data Sources

- Department of Revenue excise tax data
- Economic Revenue & Forecast Council forecast data for March 2019.

Additional Information

Additional Information	
Category:	Tax Base
Year Enacted:	1935
Primary Beneficiaries:	Natural gas and water utilities
Taxpayer Count:	86
Program Inconsistency:	None evident
JLARC Review:	JLARC completed a full review in 2008

82.16.050(3) - Joint utility services

Description

A business may deduct from gross income subject to public utility tax payments made to another business subject to public utility tax for services jointly provided by both businesses.

Purpose

To eliminate pyramiding of the public utility tax.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$18.445	$19.129	$19.812	$20.533
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 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$17.535	$19.812	$20.533
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- Growth rate will mirror the B&O growth rate reflected in the Economic & Revenue Forecast Council's March 2019 forecast.
- July 1, 2020, effective date, with 11 months of collections in Fiscal Year 2021.

Data Sources

- Department of Revenue excise tax data
- Economic & Revenue Forecast Council's March 2019 forecast

Additional Information

Additional Information	
Category:	Tax Base
Year Enacted:	1935
Primary Beneficiaries:	Firms that jointly provide utility services to customers
Taxpayer Count:	637
Program Inconsistency:	None evident
JLARC Review:	JLARC completed a full review in 2009

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 2020	FY 2021	FY 2022	FY 2023
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.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

Although taxpayers who use accrual-based accounting report this deduction and thus, experience savings, the state would not achieve revenue gains if the deduction is repealed. Taxpayers using cash basis accounting do not need to use the deduction; they report the actual amount receive at the time of sale. Taxpayers who use accrual-based accounting would likely switch to cash basis accounting if the deduction is repealed.

Data Sources

None

Additional Information

Additional Information	
Category:	Tax Base
Year Enacted:	1935
Primary Beneficiaries:	Businesses that offer cash discounts to purchasers
Taxpayer Count:	Unknown
Program Inconsistency:	None evident
JLARC Review:	JLARC completed a full review in 2009

82.16.050(5) - Bad debts

Description

A business may deduct bad debts from the gross income subject to public utility tax if these amounts were previously subject to tax.

Purpose

The deduction ensures equal treatment between taxpayers that use accrual basis accounting and those that use cash basis accounting.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$1.632	$1.632	$1.632	$1.632
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 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$1.496	$1.632	$1.632
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- No annual growth is assumed.
- July 1, 2020, effective date, with 11 months of collections in Fiscal Year 2021.

Data Sources

Department of Revenue excise tax data

Additional Information

Additional Information	
Category:	Individuals
Year Enacted:	1935
Primary Beneficiaries:	Any firm using accrual method of accounting and experiences unpaid debts
Taxpayer Count:	135
Program Inconsistency:	None evident
JLARC Review:	JLARC completed an expedited report in 2008

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 reflect the supremacy of the Washington State Constitution, the U.S. Constitution, and federal law.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$36.948	$37.985	$38.836	$39.786
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would not increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- July 1, 2020, effective date, with 11 months of collections in Fiscal Year 2021.
- Transportation activity in Washington will continue at rates as shown in the economic forecast.

Data Sources

- International Registration Plan, Inc. (IRP) clearing house data for vehicle count of out of state motor carriers entering Washington
- Average per vehicle distance charts obtained from individual states' Departments of Motor Vehicle (DMV) or Licensing
- Association of American Railroads www.aar.org
- Economic and Revenue Forecast Council PUT forecast for Railroad and Motor Transportation
- Department of Revenue excise tax data

Additional Information

Additional Information	
Category:	Interstate Commerce
Year Enacted:	1935
Primary Beneficiaries:	Interstate transportation companies
Taxpayer Count:	4,000
Program Inconsistency:	None evident
JLARC Review:	Not reviewed by JLARC

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

Description

Businesses may deduct income the state constitutionally cannot tax from gross income subject to the public utility tax. Under current practice, this deduction includes income received by transportation businesses when a trip either begins or ends outside of Washington. For example, income received from a trip from Seattle to Coeur d'Alene, Idaho is eligible for the deduction.

Purpose

To avoid taxing transportation businesses that cross state borders.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$32.868	$33.520	$34.125	$34.757
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 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$30.727	$34.125	$34.757
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- July 1, 2020, effective date, with 11 months of collections in Fiscal Year 2021.
- Carrier activity in Washington will continue at rates from embedded in the economic forecast.

Data Sources

- International Registration Plan, Inc. clearing house data for vehicle count of out of state motor carriers entering Washington
- Average per vehicle distance charts obtained from individual states' Departments of Motor Vehicle (DMV) or Licensing
- Association of American Railroads www.aar.orgEconomic and Revenue Forecast Council PUT forecast for Railroad and Motor Transportation
- Department of Revenue excise tax data

Additional Information

Additional Information	
Category:	Interstate Commerce
Year Enacted:	1935
Primary Beneficiaries:	Interstate transportation companies
Taxpayer Count:	4,000
Program Inconsistency:	None evident
JLARC Review:	JLARC completed a full review in 2010

82.16.050(7) - Irrigation water

Description

A business may deduct amounts derived from the distribution of water through an irrigation system (other than the irrigation of marijuana as defined in RCW 69.50.101) from gross income subject to public utility tax.

Purpose

To lower the cost of water for farming.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$2.402	$2.526	$2.655	$2.787
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 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$2.315	$2.655	$2.787
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- July 1, 2020, effective date, with 11 months of collections in Fiscal Year 2021
- Growth rate will mirror the B&O growth rate reflected in the Economic & Revenue Forecast Council's March 2019 forecast.

Data Sources

- Economic & Revenue Forecast Council's March 2019 forecast
- Department of Revenue excise tax data

Additional Information

Additional Information	
Category:	Agriculture
Year Enacted:	1935
Primary Beneficiaries:	Irrigation districts and their customers
Taxpayer Count:	89
Program Inconsistency:	None evident
JLARC Review:	JLARC completed an expedited report in 2018

82.16.050(8) - Interstate transportation - Through freight

Description

In general, wholly instate trips (from one point in Washington to another) are subject to public utility tax. This deduction from the public utility tax is for instate portions of interstate shipments of goods where the carrier authorizes the shipper to stop the shipment in Washington to store, manufacture, or process the goods, then continues to transport the same goods or their equivalent, in the same or a converted form, to the final destination noted under a through freight rate (also known as a through bill of lading). The deduction applies to transportation of goods by truck, rail, and certain water transportation.

Purpose

To extend the favorable tax treatment provided to interstate transportation that would otherwise qualify for that exemption except for a temporary stoppage of transit in this state.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
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 increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

Taxpayer savings and state revenue impacts are included in exemption study estimate for RCW 82.16.050.

Data Sources

None

Additional Information

Additional Information	
Category:	Interstate Commerce
Year Enacted:	1937
Primary Beneficiaries:	Shippers of goods passing through the state
Taxpayer Count:	0
Program Inconsistency:	None evident
JLARC Review:	JLARC completed a full review in 2010

82.16.050(9) - Interstate transportation - Shipments to ports

Description

Businesses may deduct income derived from transporting products from a point within Washington to an export elevator, wharf, dock, or vessel from gross income subject to public utility tax, if a vessel then ships the products, without any intervening transportation, in their original form outside of the state. The deduction does not apply if this shipment occurs within the same city.

Purpose

To avoid taxing products that are exported out of the state.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$12.268	$12.527	$12.792	$13.063
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 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$11.483	$12.792	$13.063
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- Growth rate will mirror the public utility tax growth rate reflected in the Economic & Revenue Forecast Council's March 2019 forecast.
- July 1, 2020, effective date, with 11 months of collections in Fiscal Year 2021.

Data Sources

- Center for Transportation Analysis, Oak Ridge National Laboratory, Freight Analysis Framework Tool
- Economic & Revenue Forecast Council's March 2019 forecast

Additional Information

Additional Information	
Category:	Interstate Commerce
Year Enacted:	1937
Primary Beneficiaries:	Shippers of goods passing through the state
Taxpayer Count:	Unknown
Program Inconsistency:	None evident
JLARC Review:	JLARC completed a full review in 2010

82.16.050(10) - Farm products shipped to ports

Description

Businesses may deduct income derived from the transportation of agricultural commodities from points within Washington to interim storage facilities in this state for trans-shipment, without intervening transportation, to an export elevator, wharf, dock, or vessel from gross income subject to public utility tax, if a vessel then ships the commodities, without any intervening transportation, in their original form outside of the state. The deduction only applies if:

- More than 96 percent of all agricultural commodities delivered by the person claiming the deduction and delivered by all other persons to the commodity dealer's interim storage facilities during the preceding year was shipped by vessel in original form outside the state; and,
- Any of the commodities that are trans-shipped to ports will be received at storage facilities operated by the same commodity dealer and will be shipped from such facilities by vessel in original form outside the state.

Purpose

To avoid taxing the shipment of agricultural products for export outside of the state.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.266	$0.266	$0.266	$0.267
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 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.244	$0.266	$0.267
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- July 1, 2020, effective date, with 11 months of collections in Fiscal Year 2021.
- Annual growth rate of 0.02 percent based on 20 years of data.

Data Sources

- Washington State University Eastern Washington Intermodal Transportation Study
- U.S. Department of Agriculture, 2018 Annual Statistical Bulletin for Washington
- U.S. Department of Agriculture, Transportation Research & Analysis, Grain Transportation, Barges
- U.S. Department of Agriculture Grain Transportation Report, June 2019

82.16.050(10) - Farm products shipped to ports

Additional Information

Additional Information	
Category:	Agriculture
Year Enacted:	2007
Primary Beneficiaries:	Persons who transport grain and other agricultural products
Taxpayer Count:	1,429
Program Inconsistency:	None evident
JLARC Review:	JLARC completed an expedited report in 2015

82.16.050(11) - Electric power exported or resold

Description

A business may deduct amounts derived from the production, sale, or transfer of electricity for resale within or outside of the state or for consumption outside of the state from gross income subject to public utility tax.

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 2020	FY 2021	FY 2022	FY 2023
State Taxes	$16.256	$16.955	$17.635	$18.343
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

A repeal of the exemption would result in increased revenue due from the sale of electricity for resale within Washington. However, exported electricity is exempt from taxation under the commerce clause and no revenue can be realized regardless of this statue.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$15.542	$17.635	$18.343
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- Growth rate will mirror the Public Utility Tax growth rate reflected in the Economic & Revenue Forecast Council's March 2019 forecast.
- July 1, 2020, effective date, with 11 months of collections in Fiscal Year 2021.

Data Sources

- U.S. Energy Information Association, 2017 Annual Electric Power Industry report
- Department of Revenue excise tax data
- Economic & Revenue Forecast Council's March 2019 forecast

Additional Information

Additional Information	
Category:	Tax Base
Year Enacted:	1989
Primary Beneficiaries:	Light and power businesses and power marketers
Taxpayer Count:	19
Program Inconsistency:	None evident
JLARC Review:	JLARC completed a full review in 2014

82.16.050(12) - Nonprofit water associations

Description

A business may deduct amounts derived from the distribution of water by a nonprofit water association and used for capital improvements by the association from gross income subject to public utility tax.

Purpose

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

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.554	$0.583	$0.612	$0.643
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 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.534	$0.612	$0.643
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- July 1, 2020, effective date, with 11 months of collections in Fiscal Year 2021.
- Nonprofit water utility companies are using the deduction code, and not subtracting capital improvement amounts from their report gross income.

Data Sources

- Economic & Revenue Forecast Council data, March 2019
- Department of Revenue excise tax data

Additional Information

Additional Information	
Category:	Nonprofit
Year Enacted:	1977
Primary Beneficiaries:	Nonprofit water associations and their members
Taxpayer Count:	76
Program Inconsistency:	None evident
JLARC Review:	JLARC completed an expedited report in 2011

82.16.050(13) - Sewerage processing and disposal

Description

A sewerage collection business may deduct payments to a business subject to B&O tax for the treatment or disposal of sewage from gross income subject to public utility tax.

Purpose

To ensure that payments for the treatment or disposal of sewage are not subject to public utility tax and B&O tax.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$10.948	$11.344	$11.766	$12.194
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 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$10.399	$11.766	$12.194
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- Growth rate will mirror the B&O growth rate reflected in the Economic & Revenue Forecast Council's March 2019 forecast.
- July 1, 2020, effective date, with 11 months of collections in Fiscal Year 2021.

Data Sources

- Economic & Revenue Forecast Council data, March 2019
- Department of Revenue excise tax data

Additional Information

Additional Information	
Category:	Tax Base
Year Enacted:	1987
Primary Beneficiaries:	Sewerage collection firms
Taxpayer Count:	31
Program Inconsistency:	None evident
JLARC Review:	JLARC completed an expedited report in 2014

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 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.163	$0.163	$0.163	$0.163
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

A repeal of this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.149	$0.163	$0.163
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- Assume no growth.
- July 1, 2020, effective date, with 11 months of collections in Fiscal Year 2021.

Data Sources

Department of Revenue deduction data for transit and ground passenger transportation

Additional Information

Additional Information	
Category:	Government
Year Enacted:	2006
Primary Beneficiaries:	Public transportation agencies
Taxpayer Count:	50
Program Inconsistency:	None evident
JLARC Review:	Not reviewed by JLARC

82.16.053 - Electric power sold in rural areas

Description

A light and power business may deduct from gross income subject to the public utility tax the lesser of the amounts listed below:

- A percentage of wholesale power cost paid during the reporting period depending on the number of customers per mile of line;
  - 50 percent of wholesale power cost if the business has fewer than 5 ½ customer per mile of line;
  - 40 percent if the number of customers per mile of line is between 5 ½ and 11;
  - 30 percent if the number of customers per mile of line is between 11 and 17; or,
  - Zero if the number of customers per line is greater than 17.
- Wholesale power cost multiplied by the percentage by which the average retail electric power rates for the light and power business exceed the state average electric power rate; or,
- $400,000 monthly.

Purpose

To reduce electricity costs in areas with geographically dispersed customers.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$1.161	$1.211	$1.259	$1.310
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 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$1.110	$1.259	$1.310
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

July 1, 2020, effective date, with 11 months of collections in Fiscal Year 2021.

Data Sources

- Economic & Revenue Forecast Council's March 2019 forecast
- Department of Revenue excise tax data

82.16.053 - Electric power sold in rural areas

Additional Information

Additional Information	
Category:	Business
Year Enacted:	1994
Primary Beneficiaries:	Public utility districts, power and light cooperatives and rural electric associations and their customers
Taxpayer Count:	32
Program Inconsistency:	None evident
JLARC Review:	JLARC completed a full review in 2017

82.16.055 - Cogeneration facilities and renewable resources

Description

Businesses may take a deduction from gross operating income subject to public utility tax for the cost of producing electricity from cogeneration and electricity or gas produced from renewable energy resources. Businesses may also deduct amounts expended to improve energy efficiency or the use of electricity or gas by consumers. The deduction applies only to new facilities constructed between June 12, 1980, and January 1, 1990. The deduction related to cogeneration is limited to 30 years after the project's initial operation.

Currently less than 3 taxpayers take this deduction. Per interpretation by Department of Revenue, this deduction is available after January 1, 2020, only for qualifying projects for the cost of production at the plant for consumption within Washington State, RCW 82.16.050(a). It is not an available deduction as it applies to RCW 82.16.055 (b), improvements for consumer's efficiency of energy end use.

Purpose

To encourage energy conservation and the use of renewable energy.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	D	D	D	D
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 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	D	D	D
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- Fewer than three taxpayers benefit from this deduction.
- July 1, 2020, effective date, with 11 months of collections in Fiscal Year 2021.

Data Sources

Department of Revenue excise tax data

Additional Information

Additional Information	
Category:	Business
Year Enacted:	1980
Primary Beneficiaries:	Light and power businesses
Taxpayer Count:	Fewer than three taxpayers
Program Inconsistency:	None evident
JLARC Review:	JLARC completed an expedited report in 2011

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 renewable energy systems. The credit for a fiscal year may not exceed one and one-half percent of the business's 2014 calendar year taxable power sales or $250,000, whichever is greater. The right to earn tax credits expires June 30, 2029. Credits may not be claimed after June 30, 2030.

Purpose

To encourage investment in renewable energy resources.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$48.150	$48.150	$13.750	$13.750
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 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$44.138	$13.750	$13.750
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- July 1, 2020, effective date, with 11 months of collections in Fiscal Year 2021.
- Participants in the old program receive repayments through June 30, 2021.
- Repayment term under the new program is eight years or half the systems cost whichever is reached first. Based on Washington State University (WSU) energy's annual payment calculations, the majority of the participants will receive repayments for eight years.
- The new program has reached the $110 million overall cap. WSU energy is no longer reviewing new certification applications as of June 14, 2019.

Data Sources

- Department of Revenue excise tax data
- WSU Energy Program

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2005
Primary Beneficiaries:	Light and power companies that make payments to customers via this program
Taxpayer Count:	45
Program Inconsistency:	None evident
JLARC Review:	JLARC completed a full review in 2016

82.16.185 - State energy performance standard early adoption incentive program

Description

Light, power, and gas distribution businesses are allowed a PUT credit equal to:
- Incentive payments made in any calendar year under the incentive program;
- Documented administrative costs, not to exceed eight percent of the incentive payments.

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 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.000	$0.000	$3.193
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 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.000	$0.000	$3.193
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- Applications for incentive payments will be received by the Department of Commerce, beginning Calendar Year 2021.
- Based on data provided by the Department of Commerce, PUT credits will be claimed beginning Calendar Year 2023.
- Building owner participation will increase over time.

Data Sources

- Washington State Department of Commerce
- 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:	JLARC has not reviewed

82.16.300 - 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.

The exemption currently expires on December 31, 2020.

Purpose

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

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	Minimal	Minimal	Minimal	Minimal
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

A repeal of this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	Minimal	Minimal	Minimal
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- Situations where this exemption would be applicable are rare.
- While the impact cannot be quantified, it is likely minimal.

Data Sources

None

Additional Information

Additional Information	
Category:	Other
Year Enacted:	1974
Primary Beneficiaries:	Persons who haul farm products for their relatives
Taxpayer Count:	Unknown
Program Inconsistency:	None evident
JLARC Review:	JLARC completed a full review in 2018

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 2020	FY 2021	FY 2022	FY 2023
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.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	Indeterminate	Indeterminate	Indeterminate
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

The revenue impact is indeterminate since there is no publicly available data.

Data Sources

The Washington State Secretary of State's Office

Additional Information

Additional Information	
Category:	Government
Year Enacted:	2011
Primary Beneficiaries:	Joint municipal utility services authorities
Taxpayer Count:	Unknown
Program Inconsistency:	None evident
JLARC Review:	Not reviewed by JLARC

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 2020	FY 2021	FY 2022	FY 2023
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 increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- No taxpayers are taking this credit, using Department of Revenue's data.
- A business is in the permitting process to build a silicon smelter facility in Pend Oreille County; the predicted complete date is unknown.

Data Sources

- Department of Ecology
- Pend Oreille Economic Development Council

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:	Not reviewed by JLARC

82.32.045(4) - Minimum to file PUT return

Description

Businesses whose gross income is less than $24,000 annually are not required to file excise tax returns. The provision does not apply to businesses that collect and remit retail sales tax or any other tax or fee which the Department is authorized to collect.

Purpose

To reduce administrative costs for taxpayers and the Department of Revenue.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
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. In its absence, taxpayers would have to file returns but still would have no PUT tax liability because the PUT tax does not apply to a business whose total gross income is less than $2,000 per month under RCW 82.16.040.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
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, RCW 82.16.040.

Data Sources

Department of Revenue excise tax data

Additional Information

Additional Information	
Category:	Business
Year Enacted:	1935
Primary Beneficiaries:	Beneficiaries are small public service and utility firms
Taxpayer Count:	0
Program Inconsistency:	None evident
JLARC Review:	Not reviewed by JLARC

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 public utility tax. The credit for an employer is:

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

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

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.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.110	$0.110	$0.110	$0.110
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 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.100	$0.110	$0.110
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- Maximum total program credit allowed per year is $2,750,000 combined between the business and occupation and public utility taxes.
- Estimate is for public utility tax portion only.
- 11 months of collections in Fiscal Year 2021 due to July 1, 2020, effective date.

Data Sources

Department of Revenue credit data

82.70.020 - Commute trip reduction credit

Additional Information

Additional Information	
Category:	Other
Year Enacted:	2003
Primary Beneficiaries:	Employers providing alternate commuting options
Taxpayer Count:	10
Program Inconsistency:	None evident
JLARC Review:	JLARC completed a full review in 2012

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 business and occupation tax credit or public utility tax credit.

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

The total amount of these credits statewide cannot exceed $2.5 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 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.560	$0.560	$0.560	$0.560
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 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.513	$0.560	$0.560
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- July 1, 2020, effective date results in 11 months of cash collections for Fiscal Year 2021.
- Annual combined credit reported under B&O and PUT tax is capped at $2.5 million.
- Approximately 77 percent of the annual credit is taken against B&O tax with the rest against PUT, this ratio remains constant for future years.
- This estimate reflects PUT credits.

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 choosing to participate commercial area revitalization
Taxpayer Count:	15
Program Inconsistency:	None evident
JLARC Review:	JLARC completed an expedited report in 2016