
SUBSTITUTE SENATE BILL 6460

State of Washington

54th Legislature

1996 Regular Session

By Senate Committee on Ecology & Parks (originally sponsored by Senators Fraser, Swecker, Haugen, Rasmussen and Winsley; by request of Governor Lowry)

Read first time 02/01/96.

1 AN ACT Relating to public utility tax credits for water
2 conservation activities; adding new sections to chapter 82.16 RCW;
3 creating a new section; and providing an effective date.

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

5 NEW SECTION. **Sec. 1.** As stated in RCW 90.54.020 and 90.54.180, it
6 is the fundamental water policy of this state to encourage the
7 conservation of water, particularly where conservation may provide a
8 new source of supply for future water needs, and to provide incentives
9 for conservation and water use efficiency. The legislature recognizes
10 that the conservation of water requires action by water suppliers and
11 water users. Water suppliers conserve water through maintenance and
12 upgrading of the supply system and through increased efficiency in
13 delivery. Water users conserve water through changes in the way water
14 is used and applied. Although many water utilities are engaged in
15 conservation activities and projects, the legislature finds that many
16 water distribution businesses need additional encouragement and
17 incentive to undertake conservation activities. Therefore it is the
18 intent of the legislature to grant a public utility tax credit to

1 qualifying businesses undertaking certain water conservation projects
2 and activities.

3 NEW SECTION. **Sec. 2.** A new section is added to chapter 82.16 RCW
4 to read as follows:

5 The following definitions apply to section 3 of this act, unless
6 the context clearly requires otherwise.

7 (1) "Consumer-related water conservation activities" means those
8 water conservation activities and projects as defined in subsection (4)
9 of this section that reduce water demand and that are undertaken by
10 customers of water distribution businesses.

11 (2) "Quantifiable savings" means reductions in demand that persist
12 over several years and can be verified using accepted evaluation
13 methods. Accepted evaluation methods include metering, engineering
14 analysis, statistical analysis of billed consumption, historical
15 evidence, accepted industry standards, and customer surveys.

16 (3) "Tangible measures" means equipment, hardware, or fixtures that
17 last three years or longer.

18 (4) "Water conservation activities" means activities and projects
19 undertaken in existing water supply systems to reduce waste or loss of
20 water, to conserve water, or to increase system or water use
21 efficiency, such as: Repair or replacement of leaking pipes; lining of
22 ditches or storage facilities; installation, repair, or upgrade of
23 water metering devices; retrofitting of customer water fixtures and
24 devices, such as low-flow toilets and showerheads; and other like
25 activities and measures. "Water conservation activities" does not
26 include changes in behavior or routine, such as lawn watering
27 restrictions or curtailment of car washing, and does not include
28 expansion of water supply systems to increase system capacity or to
29 service new customers.

30 NEW SECTION. **Sec. 3.** A new section is added to chapter 82.16 RCW
31 to read as follows:

32 (1)(a) Subject to preapproval under subsection (3) of this section,
33 a water distribution business is allowed a credit against taxes imposed
34 in RCW 82.16.020 (1)(g) and (2) equal to amounts rebated to or
35 otherwise expended for customers for actual consumer-related water
36 conservation activities. Rebates to or other expenditures for
37 customers for individual activities or measures that are not tangible

1 measures and do not have quantifiable savings are not eligible for a
2 tax credit under this subsection.

3 (b) A water distribution business may not take a credit of more
4 than one hundred fifty thousand dollars in any calendar year under this
5 subsection (1). A water distribution business may carry forward
6 rebates and other expenditures made in excess of the annual credit
7 limit, but not for rebates or other expenditures made beyond June 30,
8 1999, and the amount carried forward may not be used to exceed the one
9 hundred fifty thousand dollar annual credit limit in any one year.
10 Rebates and other expenditures made after June 30, 1999, do not qualify
11 for the credit under this section.

12 (c) The total credits taken for all water distribution businesses
13 under this subsection (1) shall not exceed:

14 (i) During the fiscal year ending June 30, 1997, four million
15 dollars;

16 (ii) During the fiscal year ending June 30, 1998, three million
17 dollars; and

18 (iii) During the fiscal year ending June 30, 1999, three million
19 dollars.

20 (2)(a) Subject to preapproval under subsection (3) of this section,
21 a water distribution business that has annual gross income from its
22 water distribution business of three million dollars or less is allowed
23 a credit against taxes imposed in RCW 82.16.020 (1)(g) and (2) equal to
24 amounts expended for capital construction for water conservation
25 activities other than consumer-related water conservation activities.
26 A water distribution business shall use calendar year 1995 income to
27 determine eligibility based on annual gross income.

28 (b) The department of revenue shall not allow a water distribution
29 business a total credit under this subsection (2) of more than one
30 hundred fifty thousand dollars during any calendar year. A water
31 distribution business may carry forward expenditures made in excess of
32 the annual credit limit, but not for expenditures made beyond June 30,
33 2006, and the carried-forward expenditure may not be used to exceed the
34 one hundred fifty thousand dollar annual credit limit. Expenditures
35 made after June 30, 1999, qualify for the credit under this section
36 only if the expenditure was approved before June 30, 1999.

37 (c) The total credits taken by all water distribution businesses
38 under this subsection (2) shall not exceed the following amounts:

1 (i) During the fiscal year ending June 30, 1997, nine million
2 dollars;

3 (ii) During the fiscal year ending June 30, 1998, seven million
4 dollars;

5 (iii) During the fiscal year ending June 30, 1999, seven million
6 dollars; and

7 (iv) During all subsequent fiscal years, nine million dollars each
8 fiscal year.

9 (3)(a) The departments of revenue and health shall jointly
10 administer a preapproval process, track the availability of individual
11 credits, and determine if the limitations under subsections (1) and (2)
12 of this section have been reached. Duties shall be shared as follows:
13 The department of revenue is responsible for fiscal and revenue matters
14 and the department of health is responsible for water efficiency and
15 use matters. If it is determined that the limitations for a year under
16 subsection (1)(c) or (2)(c) of this section will be exceeded or have
17 been reached, the departments may approve qualifying expenditures and
18 rebates, but the water distribution business shall carry the credits
19 forward, subject to the requirements of subsection (1)(b) or (2)(b) of
20 this section. For water distribution businesses required by the
21 department of health to have a water system plan, only those activities
22 and projects identified in such a plan, a plan amendment, or a separate
23 conservation plan, and approved by the department of health are
24 eligible for a credit under this section.

25 (b) As part of the preapproval process, a water distribution
26 business must complete a credit certificate. The credit certificate
27 shall be in substantially the following form:

28 The undersigned hereby certifies that it intends to expend
29 during [period of time] dollars for conservation
30 activities as defined in section 2 of this act; that
31 administrative or program expenses are not included in this
32 amount; and that the expenditures and conservation activities
33 will be undertaken after July 1, 1996.

34 DATED..... 199. By.....
35 (Title - Officer or agent)
36 Address.....
37

38 Department of Revenue Registration No.

1

2 Approve:

3

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5 Authorized agents of departments of revenue and health

6 (c) The departments of revenue and health shall approve or deny
7 requests for the certification within sixty days of receipt unless
8 additional time is agreed to. The departments may require the water
9 distribution business to submit supporting documents such as plans,
10 bids, contracts, and other like documents. If the certification is
11 denied the water distribution business may request a review of the
12 decision. The departments shall jointly review the decision and submit
13 the results of the review to the water distribution business in writing
14 within thirty days.

15 (4) A water distribution business may not receive credits for
16 amounts related to administration of the credits under this section or
17 administration of a conservation program.

18 (5) The credit taken by any water distribution business under this
19 section for each calendar year may not exceed the amount of tax that
20 would otherwise be due under RCW 82.16.020(1)(g) for that calendar
21 year.

22 (6) Credit may not be received for amounts expended before the
23 effective date of this act.

24 (7) The departments shall not accept new applications after June
25 30, 1999. Credits may not be received after June 30, 1999, for rebates
26 or other expenditures as allowed in subsection (1) of this section, and
27 after June 30, 2006, for expenditures as allowed in subsection (2) of
28 this section.

29 (8) A water distribution business may not receive a credit under
30 this section if the business takes or expects to take a tax credit or
31 deduction under other provisions of this chapter or any other section
32 or chapter of the Revised Code of Washington for the same expenditure
33 or activity.

34 (9) If credits are taken but the taxpayer was not eligible for the
35 credit or if expenditures were not actually made but credit was taken,
36 the taxes for which credit was taken are immediately due. The due date
37 of the taxes is the date the credit was taken. The department shall

1 assess interest at the rate provided for delinquent taxes retroactively
2 to the date the credit was taken.

3 (10) The amount of credits claimed shall be taken by the taxpayer
4 on their regular combined excise tax return for their regular assigned
5 tax reporting period. The amount of credit taken should be filled in
6 on the front of the return form, with a copy of the credit approval
7 letter attached to the return.

8 (11) Neither the department of health nor the department of
9 revenue, nor both, need adopt rules to implement this section, but the
10 departments may develop appropriate guidelines or policies.

11 NEW SECTION. **Sec. 4.** This act shall take effect July 1, 1996.

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