

SPECIAL NOTICE

May 16, 2006

For further information contact:
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Public Utility Tax Credits for “Billing Discounts” and “Qualifying Contributions”

This is our annual update on the Low Income Home Energy Assistance Program (LIHEAP) including the *Public Utility Tax Credit Application* for July 1, 2006 to June 30, 2007.

The Department of Community, Trade and Economic Development (CTED) administers LIHEAP in cooperation with light and power businesses and gas distribution businesses. Under this program, CTED administers funds from various sources to reduce energy costs for low income persons. CTED, or organizations that contract with CTED, distributes these funds in the form of grants to light and power businesses and gas distribution businesses based on need. Many light and power businesses and gas distribution businesses also provide billing discounts for low income customers.

To encourage billing discounts and contributions, RCW 82.16.0497 allows a limited credit against the public utility tax for billing discounts and qualifying contributions made by light and power businesses or gas distribution businesses.

Billing discounts are actual reductions in the amount charged for providing service to qualifying persons in Washington. A qualifying person is a Washington resident who applies and qualifies for LIHEAP assistance regardless if that person actually receives assistance.

Billing discounts do not include service charge reductions made using grants received from the LIHEAP, either from CTED or an organization that contracts with CTED, to administer LIHEAP funds.

Qualifying contributions are amounts given by light and power businesses or gas distribution businesses to an organization that contracts with CTED to administer LIHEAP funds.

Qualifying contributions do not include amounts received in the prior fiscal year from the business's customers for the purpose of assisting other customers.

Statewide Credit Cap for Fiscal Year 2007

House Bill 2644, Chapter 213, Laws of 2006 increases the statewide cap to \$5,500,000 from \$2,500,000 for fiscal year 2007 only.

Eligibility

To be eligible for the credit using billing discounts or qualifying contributions, the business must give billing discounts or qualifying contributions, respectively, greater than 125 percent of those given by the business in the state fiscal year 2000 (July 1, 1999 - June 30, 2000). If no billing discounts or qualifying contributions were given in state fiscal year 2000, a credit is allowed in the first fiscal year that billing discounts are given. Each year thereafter, the business must give billing discounts or qualifying contributions, respectively, of greater than 125 percent of those given in the first year to be eligible for the credit.

Amount of Credit

The maximum amount of credit is either 50 percent of the light and power or gas distribution business's total billing discounts and qualifying contributions, or the business's base credit, whichever is less. A business's base credit is its proportional share of all grants given through the CTED and/or qualifying organizations in the prior fiscal year multiplied by \$5,500,000 (statewide credit cap).

Each year, the Department of Revenue will notify light and power and gas distribution businesses of the amount of their base credit. The base credit for state fiscal year 2007 is enclosed.

Credit Application

Eligible businesses must apply for the credit. The application asks for the amount of billing discounts or qualifying contributions that the business will make in the next state fiscal year. If the total amount of credits to be taken by the businesses in the upcoming fiscal year is less than the \$5,500,000 statewide cap, the Department of Revenue will proportionately increase the base credit for each business that submitted an application. Businesses will be notified of the increased amount of credit that they may take.

The *Public Utility Tax Credit Application* is enclosed. The application must be mailed to the Department and postmarked by July 1, 2006.

For More Information

If you have any questions, please call (360) 902-7025.

To inquire about the availability of this document in an alternate format for the visually impaired, please call (360) 705-6715. Teletype (TTY) users please call 1-800-451-7985.