
Finance Committee

HB 2729

Brief Description: Increasing the exemption and filing threshold for small public utility businesses.

Sponsors: Representatives Overstreet, Nealey and Buys.

Brief Summary of Bill

- Increases the annual filing threshold and small business exemption for public utility taxes from \$24,000 to \$36,000.

Hearing Date: 2/10/14

Staff: Jeffrey Mitchell (786-7139).

Background:

The public utility tax (PUT) is a privilege tax imposed on the gross income of public and privately owned utility firms, including the general categories of transportation, communications, and the supply of energy and water. The PUT is imposed on the income generated by utility operations in lieu of the B&O tax; other income of the utility firm (e.g. retail sales of tangible personal property) is subject to B&O tax. The tax rates are 5.029 percent for distribution of water; 3.873 percent for generation and distribution of electrical power; 3.852 percent for telegraph companies, distribution of natural gas, and collection of sewerage; 0.642 percent for urban transportation and watercraft vessels under 65 feet in length; and 1.926 percent for railroads, railroad car companies, motor transportation, and all other public service businesses.

A small business exemption of \$24,000 applies to the public utility tax. Therefore, taxpayers do not owe PUT if their annual gross income does not exceed \$24,000.

Businesses that meet certain criteria may be eligible for active non-reporting status for PUT. Businesses assigned active non-reporting status are operational in Washington but are not required to file tax returns. To qualify, a business must meet the following criteria; (1) business

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activity does not require the collection of retail sales tax; (2) gross income for B&O tax purposes is less than \$28,000 per year or \$46,667 per year for most service-orientated businesses; (3) gross income for PUT purposes is less than \$24,000 per year; and (4) the business does not owe any other tax or fee to the Department of Revenue.

Summary of Bill:

The tax return filing threshold and small business exemption for PUT is increased from \$24,000 to \$36,000 per year.

Appropriation: None.

Fiscal Note: Available.

Effective Date: The bill takes effect 90 days after adjournment of the session in which the bill is passed.