

SENATE BILL REPORT

SB 5806

As of February 26, 1997

Title: An act relating to tax exemptions for small water districts and systems.

Brief Description: Providing tax exemptions for small water districts and systems.

Sponsors: Senators Roach, Goings, Haugen, Rasmussen and Anderson.

Brief History:

Committee Activity: Agriculture & Environment: 2/27/97, 3/4/97.

SENATE COMMITTEE ON AGRICULTURE & ENVIRONMENT

Staff: Richard Duggan (786-7414)

Background: Public and private utilities, including water distribution businesses, are subject to state excise taxes under the public utility tax and the business and occupation tax. To the extent that their gross income is derived from activities specifically taxable under the public utility tax, they are exempt from taxation under the business and occupation tax. The public utility tax rate, 5.029 percent, is higher than business and occupation tax rates. The tax base is not, however, identical as certain deductions from gross receipts are permitted in computing liability in the public utility tax code. The public works assistance account receives 20 percent of the proceeds from the public utility tax.

Summary of Bill: An exemption from both the public utility tax and the business and occupation tax is provided for water districts with less than 1500 connections and qualified satellite system management agencies with less than 200 connections.

To qualify for the exemption, districts and systems must have existing rates which are 125 percent or more of the average water rate in the county where the district or system is located, as determined by Department of Health. The Department of Health must adopt rules to guide it making that determination.

The exemption expires July 1, 2003.

Appropriation: None.

Fiscal Note: Available.

Effective Date: Ninety days after adjournment of session in which bill is passed.