

SENATE BILL REPORT

EHB 2755

As Reported By Senate Committee On:
Energy, Technology & Telecommunications, February 24, 2000
Ways & Means, February 28, 2000

Title: An act relating to clarifying the taxation of electrical energy sales.

Brief Description: Clarifying the taxation of electrical energy sales.

Sponsors: Representatives Gombosky, Crouse, Wood, Poulsen, Bush, Reardon, Mielke, Grant, McDonald, Delvin and Mastin.

Brief History:

Committee Activity: Energy, Technology & Telecommunications: 2/17/200, 2/24/2000
[DP-WM]
Ways & Means: 2/28/2000 [DP].

SENATE COMMITTEE ON ENERGY, TECHNOLOGY & TELECOMMUNICATIONS

Majority Report: Do pass and be referred to Committee on Ways & Means.

Signed by Senators Brown, Chair; Goings, Vice Chair; Fairley, Fraser, Hochstatter and Roach.

Staff: Andrea McNamara (786-7483)

SENATE COMMITTEE ON WAYS & MEANS

Majority Report: Do pass.

Signed by Senators Loveland, Chair; Bauer, Vice Chair; Brown, Vice Chair; Fairley, Fraser, Honeyford, Kline, Kohl-Welles, Long, McDonald, Rasmussen, Roach, Rossi, B. Sheldon, Snyder, Spanel, Thibaudeau, West, Winsley, Wojahn and Zarelli.

Staff: David Schumacher (786-7474)

Background: The state public utility tax (PUT) is applied to the gross revenues of a light and power business for the privilege of operating within this state. A "light and power business" is defined in current law as the business of operating a plant or system for the generation, production, or distribution of electrical energy for hire or sale. Light and power businesses include both public and private utilities, but not power marketers.

There are two deductions available to light and power businesses paying the PUT: (a) revenues from sales of electricity to another light and power business for resale as such within the state, and (b) amounts derived from the production, sale, or transfer of electrical energy for resale or consumption outside the state.

Entities that are not subject to the PUT for energy resales such as marketers and brokers are subject to the state business and occupation tax.

The Department of Revenue (DOR) recently completed a study of electricity taxation in Washington in which it included an interpretation of the statute governing deductions from PUT as not applying to wholesale electricity sales by a utility to a nonutility in the state. This means the state will apply PUT to all such transactions.

These types of wholesale transactions, between utilities and nonutility power marketers, began in mid to late 1997 as a result of federal deregulation of the wholesale electricity markets.

Summary of Bill: Public utility tax deductions are expanded to include revenue earned in the production, sale, or transfer of electrical energy for resale either within or outside the state, or for resale for consumption outside the state. It applies regardless of whether the reseller is a light and power business or a marketer or broker. The expanded exemption takes effect immediately and is retroactive.

Business and occupation tax exemptions are also expanded to include revenues derived from the sale for resale of electrical energy within or outside the state.

Appropriation: None.

Fiscal Note: Available.

Effective Date: Section 1 of the bill contains an emergency clause and takes effect immediately.

Testimony For: These changes to the tax code are necessary to fulfill the intent of the original deductions and exemptions.

Testimony Against: None.

Testified: PRO: Collins Sprague, AVISTA Corp.; Lew McMurrin, WA PUD Assn.