

# SENATE BILL REPORT

## SB 5503

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As Passed Senate, March 13, 1999

**Title:** An act relating to business and occupation and utility tax deductions for small water, sewer, and irrigation districts with less than one thousand five hundred customers.

**Brief Description:** Changing provisions relating to sewer service.

**Sponsors:** Senators T. Sheldon, Haugen and Swecker.

**Brief History:**

**Committee Activity:** Ways & Means: 2/15/99, 2/17/99 [DP].  
Passed Senate, 3/13/99, 47-0.

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### 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, B. Sheldon, Snyder, Spanel and Wojahn.

**Staff:** David Schumacher (786-7474)

**Background:** Public and private utilities 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 for water, 3.852 for sewer) 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 (not counting surcharges).

In 1997, the Legislature passed SHB 1592 which provided an exemption from both the public utility tax and the business and occupation tax for small water districts. The exemption expires July 1, 2004.

**Summary of Bill:** The public utility exemption is expanded to include payments received for sewer services by small sewer districts, irrigation districts or satellite management agencies.

To receive the exemption, 90 percent of the value of the exemption must be expended to repair, equip, maintain, and upgrade the sewer system.

The expiration date for the public utility tax exemption for water and sewer is extended to 2005.

**Appropriation:** None.

**Fiscal Note:** Available.

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

**Testimony For:** The costs to repair and upgrade sewer systems are hard for small systems to absorb.

**Testimony Against:** None.

**Testified:** Joe Daniels, WA Assn. of Sewer/Water Dist. (pro).