

HOUSE BILL REPORT

HB 2734

As Reported by House Committee On:
Technology & Economic Development

Title: An act relating to eliminating certain tax preferences not being used and recommended for repeal as determined by the joint legislative audit and review committee.

Brief Description: Eliminating certain tax preferences not being used and recommended for repeal as determined by the joint legislative audit and review committee.

Sponsors: Representatives Lytton, Jinkins, Pollet and Frame.

Brief History:

Committee Activity:

Technology & Economic Development: 1/24/18, 1/30/18 [DPS].

Brief Summary of Substitute Bill

- Repeals a public utility tax deduction for the cost of electricity from certain cogeneration or renewable energy facilities.

HOUSE COMMITTEE ON TECHNOLOGY & ECONOMIC DEVELOPMENT

Majority Report: The substitute bill be substituted therefor and the substitute bill do pass. Signed by 16 members: Representatives Morris, Chair; Kloba, Vice Chair; Tarleton, Vice Chair; DeBolt, Assistant Ranking Minority Member; Doglio, Fey, Harmsworth, Hudgins, Manweller, McDonald, Nealey, Santos, Slatter, Steele, Wylie and Young.

Staff: Nikkole Hughes (786-7156).

Background:

Business and Occupation Tax.

Washington's major business tax is the business and occupation (B&O) tax. The B&O tax is imposed on the gross receipts of business activities conducted within the state, without any deduction for the costs of doing business. The tax is imposed on the gross receipts from all business activities conducted within the state. Revenues are deposited in the State General

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.

Fund. There are several rate categories, and a business may be subject to more than one B&O tax rate, depending on the types of activities conducted. Current law authorizes multiple exemptions, deductions, and credits to reduce the B&O tax liability for specific taxpayers and business industries.

Public Utility Tax.

Income from utility operations is taxed under the public utility tax (PUT) and is in lieu of the B&O tax; other income of the utility firm, such as retail sales of tangible personal property, is subject to the B&O tax. Unlike the B&O tax, which pyramids, the PUT applies only on sales to consumers. Five different rates apply, depending upon the specific utility activity.

Tax Preferences.

The Citizen Commission for Performance Measurement of Tax Preferences (Commission) must develop a schedule to conduct a review of the state's tax preferences at least once every 10 years. In determining the schedule, the Commission must consider the order the tax preferences were enacted into law in addition to other factors, such as grouping preferences for review by type of industry, economic sector, or policy area. The Joint Legislative Audit and Review Committee (JLARC) must review tax preferences according to the schedule developed by the Commission. For each tax preference the Commission selects for a performance review, the JLARC must provide a recommendation to: (1) continue; (2) allow to expire; (3) continue and modify the expiration date; (4) review and clarify; or (5) terminate the preference.

In its 2017 Tax Preference Performance Reviews, the JLARC recommended terminating the following tax preferences: (1) a public utility tax deduction to utilities based on the cost to produce electricity from certain cogeneration or renewable energy facilities; and (2) a preferential B&O tax rate for manufacturers that create liquid fuel from wood biomass.

Summary of Substitute Bill:

A PUT deduction for the cost of electricity from certain cogeneration or renewable energy facilities is repealed.

Substitute Bill Compared to Original Bill:

The substitute bill removes the section that would repeal a preferential B&O tax rate for manufacturers of wood biomass fuel.

Appropriation: None.

Fiscal Note: Available.

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

Staff Summary of Public Testimony:

(In support) None.

(Opposed) None.

Persons Testifying: None.

Persons Signed In To Testify But Not Testifying: None.