

Finance Committee

SB 6321

**Brief Description:** Specifying that fire protection districts and regional fire protection service authorities are taxing districts for the purpose of distributing public utility revenues.

**Sponsors:** Senators Rivers, Takko and Palumbo.

<p><b>Brief Summary of Bill</b></p> <ul style="list-style-type: none"> <li>• Adds fire protection districts and regional fire protection service authorities to the definition of "taxing districts" for distributions of revenues from the public utility district privilege tax.</li> <li>• Specifies that regional fire protection service authorities are eligible for the privilege tax distribution currently made to fire protection districts.</li> <li>• Directs that fire protection districts and regional fire protection service authorities receive at least 6 percent of the tax from hydroelectric facilities.</li> </ul>
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**Hearing Date:** 2/19/18

**Staff:** Serena Dolly (786-7150).

**Background:**

Fire Districts.

Fire protection districts (fire districts) are created to provide fire and emergency services to protect life and property in locations outside of cities and towns. A fire district may be established through a process involving a petition by the residents of a proposed district, a public hearing, and voter approval.

Regional Fire Protection Service Authorities.

Regional fire protection service authorities (regional fire authorities) are created to conduct selected fire protection functions at a regional level. Regional fire authorities are formed by transferring the powers, duties, and functions of two or more adjacent fire protection jurisdictions to a regional fire authority in accordance with a plan approved by voters. A fire

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protection jurisdiction may include a fire district, city, town, port district, municipal airport, or Indian tribe.

#### Public Utility District.

Public utility districts (PUDs) are a type of special purpose district authorized to provide electricity, water, sewer, and telecommunications service.

#### PUD Privilege Tax.

The PUD privilege tax is a tax on the electric generating facilities of PUDs for the privilege of operating. The tax applies when a PUD generates, distributes, and sells electricity. The tax is in lieu of the property tax and is in addition to state and local public utility taxes. The tax is based on the gross revenue derived from the sale of energy, the number of kilowatt-hours sold, and the wholesale value of energy produced in thermal electric generating plants.

#### *Tax Rate*

The tax is applied at different rates for hydroelectric and other generating facilities, and thermal generating facilities.

The rate for hydroelectric and other generating facilities is as follows:

- 2 percent of gross revenue from the sale of power to consumers that is distributed through the district's own distribution system; plus
- 5 percent of the first 4 mills per kilowatt-hour of the: (1) wholesale value of self-generated energy distributed to its own customers, and (2) revenue from the sale for resale of self-generated energy; and

For each rate above, an additional 7-percent surtax is imposed.

The rate for thermal generating facilities is 1.5 percent of the wholesale value of energy produced for sale or use and an additional 7-percent surtax is imposed.

#### *Distribution of Receipts*

The distribution of receipts from the tax are as follows:

##### Hydroelectric Facilities –

For the base tax rate of 2 percent of gross revenue and 5 percent of the first 4 mills:

- 4 percent to the State General Fund; and
- 96 percent further distributed as follows:
  - 37.6 percent to the State General Fund for public schools; and
  - the remaining tax distributed proportionately to counties in which the generating facility is located. Of this amount, funds are deposited to the credit of each taxing district in the county, other than school districts, according to the manner deemed most equitable; except not less than .75 percent of the gross revenues obtained by a district from the sale of electric energy within any incorporated city or town must be remitted to such city or town.

One hundred percent of the 7-percent surtax is distributed into the State General Fund.

### Thermal Generating Facilities –

For the base tax rate of 1.5 percent:

- 4 percent to the State General Fund; and
- 96 percent further distributed as follows:
  - 50 percent to the State General Fund for public schools; and
  - 22 percent to counties, 23 percent to cities, 3 percent to fire protection districts, and 2 percent to library districts.

One hundred percent of the 7-percent surtax is distributed into the State General Fund.

### *Taxing District*

For purposes of the tax, "taxing district" is defined as counties, cities, towns, school districts, and road districts.

### **Summary of Bill:**

For purposes of the PUD privilege tax, the definition of "taxing district" is expanded to include fire districts and regional fire authorities.

For the distribution of receipts for thermal generating facilities, regional fire authorities are included as eligible for the portion of receipts distributed to fire districts.

For the distribution of receipts for hydroelectric and other generating facilities, at least 6 percent of the amount distributed to the county must be remitted to fire districts and regional fire authorities within the county. The amount distributed to each fire district and regional fire authority must be proportionate to its population.

**Appropriation:** None.

**Fiscal Note:** Available.

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