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**SUBSTITUTE SENATE BILL 5681**

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**State of Washington**

**56th Legislature**

**1999 Regular Session**

**By** Senate Committee on Energy, Technology & Telecommunications  
(originally sponsored by Senator Brown)

Read first time 02/26/1999.

1 AN ACT Relating to studying the system of state and local taxation  
2 of the electricity industry; creating new sections; and making  
3 appropriations.

4 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

5 NEW SECTION. **Sec. 1.** The legislature finds that changes have  
6 occurred in the electricity industry because of federal deregulation of  
7 the wholesale electricity market and the subsequent restructuring by  
8 several states of their retail electricity markets. The legislature  
9 further finds that such changes impact the electricity industry in the  
10 state of Washington and that the extent of those impacts on the  
11 taxation of the changing electricity industry are not fully  
12 comprehended. The legislature therefore intends to commission a study  
13 and report to examine current state and local taxation of the  
14 electricity industry in order to receive options for state and local  
15 taxes that avoid revenue loss, promote competitive neutrality, and  
16 encourage economic development within the electricity industry.

17 NEW SECTION. **Sec. 2.** (1) The department of revenue shall conduct  
18 a study and prepare a report of current state and local taxation of the

1 electricity industry and options for changes to avoid revenue loss,  
2 promote competitive neutrality, and encourage economic development  
3 within the electricity industry.

4 (2) The study shall include an analysis of the following:

5 (a) Current state and local taxation of the wholesale and retail  
6 electricity industry, including tax incidence, rate, base, collection,  
7 and allocation of the public utility tax, public utility district  
8 privilege tax, sales and use tax, business and occupation tax, property  
9 tax, real estate excise tax, and leasehold excise tax;

10 (b) Trends in the wholesale and retail electricity markets  
11 affecting current and future revenue streams, including power imports  
12 and exports by in-state and out-of-state suppliers;

13 (c) The extent to which existing state and local tax laws may be  
14 insufficient to protect revenue streams in light of identifiable  
15 wholesale and retail market changes;

16 (d) Whether the tax code is adequate to fairly tax new participants  
17 in the market such as brokers, marketers, aggregators, and traders; and

18 (e) Options for state and local tax laws to protect existing  
19 revenue streams, to promote competitive neutrality among wholesale and  
20 retail electricity market participants, and to encourage economic  
21 development within the electricity industry.

22 (3) The report shall include recommendations for legislative action  
23 to implement the options analyzed in subsection (2)(e) of this section  
24 that best accomplish the avoidance of revenue loss, promotion of  
25 competitive neutrality, and encouragement of economic development  
26 within the electricity industry.

27 (4) The department shall conduct the study with support from the  
28 utilities and transportation commission, the energy division of the  
29 department of community, trade, and economic development, and the state  
30 auditor. The department shall consult with the chairs and ranking  
31 minority members of the committees of the senate and the house of  
32 representatives with jurisdiction over electricity issues periodically  
33 throughout the course of the study, and shall submit its report to the  
34 legislature and the governor by December 1, 1999.

35 (5) All entities subject to current state and local taxes on assets  
36 or activities related to the generation, transmission, distribution, or  
37 the purchase and sale of electricity shall cooperate with the  
38 department in the preparation of the study and the report required by  
39 this section, and shall provide all information requested by the

1 department in a timely manner so that the study and report will be as  
2 thorough as possible and completed on schedule.

3 NEW SECTION. **Sec. 3.** (1) The sum of forty thousand dollars, or as  
4 much thereof as may be necessary, is appropriated for the fiscal year  
5 ending June 30, 2000, from the general fund to the department of  
6 revenue for the purposes of this act.

7 (2) The sum of thirty thousand dollars, or as much thereof as may  
8 be necessary, is appropriated for the fiscal year ending June 30, 2000,  
9 from the public service revolving fund to the utilities and  
10 transportation commission for the purposes of this act.

11 (3) The sum of twenty thousand dollars, or as much thereof as may  
12 be necessary, is appropriated for the fiscal year ending June 30, 2000,  
13 from the general fund to the department of community, trade, and  
14 economic development for the purposes of this act.

15 (4) The sum of ten thousand dollars, or as much thereof as may be  
16 necessary, is appropriated for the fiscal year ending June 30, 2000,  
17 from the general fund to the office of the state auditor for the  
18 purposes of this act.

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