

SENATE BILL REPORT

SB 6146

As of January 22, 2006

Title: An act relating to excise tax exemptions for districts providing water service that have three hundred connections or less.

Brief Description: Providing excise tax exemptions for districts providing water service that have three hundred connections or less.

Sponsors: Senators Mulliken and Sheldon.

Brief History:

Committee Activity: Ways & Means: 1/25/06.

SENATE COMMITTEE ON WAYS & MEANS

Staff: Dean Carlson (786-7305)

Background: Public and privately-owned utilities, including water distribution businesses, are subject to the state public utility tax (PUT). The PUT is applied to the gross receipts of the business. For water distribution businesses, the applicable tax rate is 5.029 percent. Water distribution revenues are deposited as follows: 81.3 percent to the general fund and 18.7 percent to the public works assistance account.

The business and occupation (B&O&O;) tax is Washington State's major business tax. The tax is imposed on the gross receipts of business activities conducted within the state. Revenues are deposited to the state general fund. A business may have more than one B&O; &O tax rate, depending on the types of activities conducted. Firms that provide services are generally taxed at a rate of 1.5 percent.

Neither the PUT nor the B&O&O; tax permits deductions for the costs of doing business, such as payments for raw materials and wages of employees. Nonetheless, a number of exemptions, credits, deductions, and other preferences have been enacted for specific types of business activities under the PUT and B&O&O; tax statutes. For example, an exemption exists for public utilities for which the gross income is \$2,000 per month or less. Many small water systems qualify for this exemption.

Summary of Bill: A public utility tax and B&O tax exemption is provided for water services supplied by water-sewer districts, public utility districts, and irrigation districts that have less than three hundred connections.

Appropriation: None.

Fiscal Note: Available.

Committee/Commission/Task Force Created: No.

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