
Local Government Committee

HB 1133

Brief Description: Authorizing counties to impose a public utility tax.

Sponsors: Representatives Tharinger, Muri, Reykdal, Fitzgibbon, Lytton, Jenkins, Cody, Moscoso, Dunshee, Gregerson, Johnson, Ryu and Pollet.

Brief Summary of Bill

- Authorizes counties to impose a tax on utilities providing service to consumers within the county.
- Establishes a maximum tax rate of 6 percent.
- Authorizes counties to provide certain exemptions from the tax.
- Obligates counties imposing a utility tax to provide a credit against utility taxes imposed by cities or towns.

Hearing Date: 1/22/15

Staff: Ethan Moreno (786-7386).

Background:

Washington counties provide regional services to all residents within their jurisdiction, including administering elections and furnishing judicial services, and providing a broader array of services to residents in unincorporated areas.

Although counties are authorized by statute to impose a variety of taxes and fees, the two primary sources of county tax revenues are general property taxes, and retail sales and use taxes. According to the Local Government Fiscal Reporting System of the State Auditor (LGFRS), 38.03 percent of \$7.41 billion in total revenues received by counties in 2013 were from general property taxes and retail sales and use taxes.

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.

In addition to having property tax and retail sales and use tax authorizations, Washington cities may also impose certain business taxes, including business and occupation taxes on utilities (utility taxes). These utility taxes may be levied on the gross operating revenues of: (1) private utilities from operations within the boundaries of a city; and (2) a city's own municipal utilities. Utilities that may be subject to city utility taxes include electricity, water, sewer, stormwater, gas, telephone, cable television service, and steam.

Most Washington cities impose utility taxes. With certain exceptions for water, sewer, and stormwater utilities, the maximum utility tax rate that cities may impose without voter approval is 6 percent. Higher rates may be levied with voter approvals. According to 2013 data from LGFRS, cities imposed \$747.3 million in utility taxes in 2013.

Summary of Bill:

County Utility Tax - Affected Utility Types and Maximum Rates Without Voter Approval.

Counties are authorized to impose excise taxes on utility businesses (utility taxes) on utilities providing service to consumers within the county. The utilities types that may be subject to the utility tax are as follows:

- electrical power utilities;
- gas utilities;
- telephone utilities;
- water utilities;
- sewer utilities;
- solid waste utilities; and
- cable service utilities.

The rate of the utility tax is equal to the gross income of the utility derived from providing service to consumers within the county multiplied by a maximum of 6 percent. Voter approval for the utility tax is optional.

Administration of the Tax - Initial Imposition, Exemptions, and Credits for City Utility Taxes.

Administrative provisions for counties and utilities related to the imposition of county utility taxes are established. A county may initially impose a utility tax only on the first day of a calendar quarter, and no sooner than 75 days from the date the county adopts the ordinance or resolution imposing the tax. Counties imposing utility taxes:

- may provide exemptions for sales by utilities to business customers, including manufacturing facilities, aircraft repair facilities, industrial parks, industrial facilities, farm businesses, and computer data centers;
- may not provide a general exemption for sales by utilities to residential customers unless business customers are also exempt; and
- must allow a credit against a county-imposed utility tax for the amount of any similar utility tax imposed by a city or town on the same taxable event, but the required credit may not exceed the amount of tax otherwise due.

Utilities that are subject to the tax must add the tax to the rates or charges it makes for utility services and separately state the amount of tax on billings.

Appropriation: None.

Fiscal Note: Preliminary fiscal note available.

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