

# HOUSE BILL REPORT

## HB 2173

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**As Reported By House Committee On:**  
Trade & Economic Development

**Title:** An act relating to the taxation of intrastate package delivery carriers of limited weight cargo and in limited weight vehicles effecting service within twenty-four hours and excluding the transportation of passengers.

**Brief Description:** Lowering the taxation of expedited package delivery.

**Sponsors:** Representatives Van Luven, Reams and Mielke.

**Brief History:**

**Committee Activity:**

Trade & Economic Development: 3/4/97, 3/5/97 [DPS].

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### HOUSE COMMITTEE ON TRADE & ECONOMIC DEVELOPMENT

**Majority Report:** The substitute bill be substituted therefor and the substitute bill do pass. Signed by 9 members: Representatives Van Luven, Chairman; Dunn, Vice Chairman; Voloria, Ranking Minority Member; Sheldon, Assistant Ranking Minority Member; Alexander; Ballasiotes; Mason; McDonald and Morris.

**Staff:** Kenny Pittman (786-7392).

**Background:** Public and privately owned utilities, and certain other businesses, are subject to the public utility tax instead of the business and occupation (B&O) tax. Like the B&O tax, the public utility tax is applied to the gross receipts of the business. The principal difference between the B&O and public utility taxes is a higher rate schedule applied under the public utility tax. Although many businesses subject to the public utility tax are also subject to regulation by the Utilities and Transportation Commission, there is no direct connection between regulatory status and tax status.

The public utility tax consists of five different rates, depending upon the specific utility activity. A package delivery carrier is subject to two different public utility rates depending on whether they operate inside or outside urban areas. Urban transportation– businesses pay a rate of 0.642 percent. Other motor transportation– businesses pay a rate of 1.926 percent. The lower urban transportation rate is limited by statute to businesses operating entirely within the corporate limits of any city or

town, or within five miles of the corporate limits thereof, or operating entirely within and between cities and towns whose corporate limits are not more than five miles apart or within five miles of the corporate limits of either thereof.— A taxpayer who operates both inside and outside these urban areas must show a proper segregation of revenue in order to pay the lower rate on the urban transportation portion.

**Summary of Substitute Bill:** Package delivery carrier businesses that deliver packages or parcels of less than 100 pounds per parcel, within 24 hours of pick up, in vehicles with a gross weight of less than 10,000 pounds are subject to the public utility tax rate of 0.642 percent. Carrier businesses that use more than one mode of transportation in package delivery are not considered a urban transportation business.

**Substitute Bill Compared to Original Bill:** The substitute bill clarifies a package delivery carrier as an urban transportation business. Eliminates carriers that use intermodal transportation in the package delivery and defines intermodal transportation services.

**Appropriation:** None.

**Fiscal Note:** Requested on February 25, 1997.

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

**Testimony For:** The regulations on urban transportation were developed before the package delivery carrier business was started. The dual classification of business activities is a bookkeeping problem. This will streamline and clarify the regulations regarding taxation of package delivery carrier businesses.

**Testimony Against:** None.

**Testified:** Andrew Laycock, MC Delivery (pro); and Brian Butler, Postal Express (pro).