

March 4, 1997

BILL ANALYSIS

TO: Members, Committee on Trade and Economic Development
FROM: Kenny Pittman, Research Analyst (786-7392)
RE: **HB 2173 - Lowering the taxation of expedited package delivery.**

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. Public utility tax rates, including permanent surtaxes, are:

- Water distribution: 5.029 %
- Light and power: 3.873 %
- Railroads, express, telegraph, natural gas, and sewerage collection: 3.852%
- Taxicabs, limousine services, other urban transportation carriers and marine vessels for hire under 65 feet (except tugboats):
0.642%
- Motor transportation, except urban transportation, tugboats, and public utilities not elsewhere classified: 1.926%

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:

Package delivery carrier businesses that operate predominantly on an intrastate basis, 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.

Appropriation: None.

Fiscal Note: Requested February 25, 1997.

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