

SENATE BILL REPORT

SB 5231

As Reported By Senate Committee On:
Energy & Utilities, February 20, 1997

Title: An act relating to sales and use taxes on electrical energy imposed by the state, cities, and towns.

Brief Description: Providing for taxation of electrical energy.

Sponsors: Senators Hochstatter, Finkbeiner, Goings, Long, Haugen, Rasmussen and Brown.

Brief History:

Committee Activity: Energy & Utilities: 1/28/97, 2/20/97 [DPS-WM].
Ways & Means: 3/5/97.

SENATE COMMITTEE ON ENERGY & UTILITIES

Majority Report: That Substitute Senate Bill No. 5231 be substituted therefor, and the substitute bill do pass and be referred to Committee on Ways & Means.

Signed by Senators Finkbeiner, Chair; Hochstatter, Vice Chair; Brown, Jacobsen, Rossi, Strannigan and Swanson.

Staff: Phil Moeller (786-7445)

SENATE COMMITTEE ON WAYS & MEANS

Staff: David Schumacher (786-7474)

Background: Retail competition is emerging in the electricity market. Some states have adopted policies implementing these policy changes, and some utilities within Washington State have begun the process of allowing some of their customers the ability to choose another supplier of electricity.

Even if widespread retail competition develops, a customer's traditional utility is likely to retain a major role in the transmission or end delivery of the customer's electricity.

Concern has been raised that an out-of-state supplier of electricity may not be subject to the same taxes that an in-state supplier would incur.

Summary of Substitute Bill: State use taxes are applied to the consumption of electricity in the state. The tax is applied on the value of the electricity at a rate equivalent to the public utility tax on light and power businesses. Cities are authorized to impose use taxes applied to the use of electricity in those cities on the value of the electricity consumed at a rate in effect for the tax on electrical energy businesses in those cities.

These taxes do not apply to entities generating electricity for their own use. These taxes also do not apply to the transportation of electricity.

Substitute Bill Compared to Original Bill: The original bill applied state sales taxes to electricity and contained an exemption for certain types of manufacturers.

Appropriation: None.

Fiscal Note: Requested on January 24, 1997.

Effective Date: The bill takes effect on August 1, 1997.

Testimony For: The electricity industry is rapidly becoming more competitive. This type of legislation is needed to assure that the state and cities remain whole in regard to revenues. Otherwise, out-of-state competitors would have a large advantage by avoiding public utility taxes.

Testimony Against: The bill is premature, as full competition is still several years away. Exempting any type of manufacturer from these taxes is unfair and gives them a competitive advantage.

Testified: Collins Sprague, Bob Hanson, Washington Water Power Co. (pro); Richard Baxendale, Boise Cascade Corporation (con); Jim Dwyer, Intalco Aluminum Corporation (pro); Mike Tracy, Puget Power (con); Stan Finkelstein, Association of Washington Cities (pro); Teresa Osinski, WUTC; David Arbaugh, Washington PUD Association; Kristen Harte, Snohomish County PUD.