
HOUSE BILL 2421

State of Washington 55th Legislature 1998 Regular Session

By Representatives Morris, Gardner, Linville and Eickmeyer

Read first time 01/13/98. Referred to Committee on Finance.

1 AN ACT Relating to taxation of municipal electrical utilities;
2 adding a new chapter to Title 82 RCW; and providing an effective date.

3 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

4 NEW SECTION. **Sec. 1.** The definitions in this section apply
5 throughout this chapter unless the context clearly requires otherwise.

6 (1) "Distributes to consumers" means the sale of electrical energy
7 to ultimate consumers thereof, and does not include sales of electrical
8 energy for resale by the purchaser.

9 (2) "Gross income" means the value proceeding or accruing from the
10 operation of a light and power business, including operations
11 incidental thereto, but without any deduction on account of the cost of
12 the commodity furnished or sold, the cost of materials used, labor
13 costs, interest, discount, delivery costs, taxes, or any other expense
14 whatsoever paid or accrued and without any deduction on account of
15 losses.

16 (3) "Light and power business" means the business of operating a
17 plant or system for the generation, production, or distribution of
18 electrical energy for hire or sale and/or for the wheeling of
19 electricity for others.

1 (4) "Municipal light and power business" means a business providing
2 electrical service that is owned or operated by a city or town directly
3 or indirectly through the creation of a board, authority, corporation,
4 or other entity to manage its operation.

5 (5) "Wholesale value" means the consideration, whether money,
6 credit, rights, or other property, expressed in terms of money, paid or
7 given or contracted to be paid or given by the purchaser to the seller
8 for electricity sold at wholesale. If electricity is acquired by gift
9 or is produced by the person using the same or is sold under conditions
10 wherein the purchase price does not represent the true wholesale value
11 thereof, the wholesale value shall be determined as nearly as possible
12 according to the wholesale selling price of other electricity in this
13 state under such rules as the department of revenue may prescribe.

14 NEW SECTION. **Sec. 2.** A tax is imposed on each municipal light and
15 power business equal to 2.14 percent multiplied by gross income from
16 the sale of all electric energy which it distributes to consumers who
17 are served by a distribution system owned by the district.

18 NEW SECTION. **Sec. 3.** A tax is imposed on each municipal light and
19 power business equal to two percent of the wholesale value of
20 electricity generated at facilities located outside the boundaries of
21 the city or town owning or operating the municipal light and power
22 business.

23 NEW SECTION. **Sec. 4.** Revenue collected under section 2 of this
24 act shall be distributed as follows:

25 (1) Forty-four percent of the revenue shall be deposited in the
26 common school construction fund.

27 (2) The balance shall be distributed to each county in proportion
28 to the gross income from sales made within each county. Any moneys
29 received by a county from this municipal privilege tax shall be
30 distributed proportionately by the county treasurer in accordance with
31 RCW 84.56.230 as though such moneys were receipts from regular ad
32 valorem property tax levies within such county, except that no
33 distribution shall be made to the state. The calculation for
34 distribution to taxing districts shall not include consideration of the
35 rate of levy by the state.

1 NEW SECTION. **Sec. 5.** Revenue collected under section 3 of this
2 act shall be distributed as follows:

3 (1) Forty-four percent of the revenue shall be deposited in the
4 common school construction fund.

5 (2) The balance shall be distributed to the county or counties
6 where the generating facility is located. If the entire generating
7 facility, including reservoir, if any, is in a single county then all
8 of the balance shall be distributed to the county where such generating
9 facility is located. If a reservoir is in more than one county, then
10 to each county in which the reservoir or any portion thereof is located
11 a percentage of the balance shall be distributed equal to the
12 percentage determined by dividing the total cost of the generating
13 facilities, including adjacent switching facilities, into twice the
14 cost of land and land rights acquired for any reservoir within each
15 county, land and land rights to be defined the same as used by the
16 federal power commission. If the powerhouse and dam, if any, in
17 connection with such reservoir are in more than one county, the
18 remaining balance shall be equally divided between the two counties.
19 If all of the powerhouse and dam, if any, are in one county, then the
20 balance shall be distributed to the county in which the facilities are
21 located.

22 NEW SECTION. **Sec. 6.** Chapter 82.32 RCW applies to the taxes
23 imposed in this chapter. The tax due dates, reporting periods, and
24 return requirements applicable to chapter 82.16 RCW apply to the taxes
25 imposed in this chapter. In addition to other information required by
26 the department of revenue under chapter 82.32 RCW, the department may
27 require information on the total cost of all electric generating
28 facilities subject to tax under this chapter and the cost of
29 acquisition of land and land rights for such facilities or for
30 reservoir purposes in each county, and any other information needed to
31 determine the proper distribution of tax revenues to counties.

32 NEW SECTION. **Sec. 7.** Sections 1 through 6 of this act constitute
33 a new chapter in Title 82 RCW.

34 NEW SECTION. **Sec. 8.** If any provision of this act or its
35 application to any person or circumstance is held invalid, the

1 remainder of the act or the application of the provision to other
2 persons or circumstances is not affected.

3 NEW SECTION. **Sec. 9.** This act takes effect July 1, 1998.

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