

HOUSE BILL ANALYSIS

HB 2755

Title: An act relating to clarifying the taxation of electrical energy sales.

Brief Description: Clarifying the taxation of electrical energy sales.

Sponsors: Representatives Gombosky, Crouse, Wood, Poulsen, Bush, Reardon, Mielke, Grant, McDonald, Delvin and Mastin.

HOUSE COMMITTEE ON TECHNOLOGY, TELECOMMUNICATIONS AND ENERGY

Meeting: January 26, 2000

Staff: Scott MacColl (786-7106)

Background:

The state public utility tax (PUT) is applied to the gross revenues of a light and power business, which includes both public and private electric utilities, for the privilege of operating within this state. Currently 78 businesses fall within the definition of a light and power business, and are thereby subject to the state PUT.

There are two exemptions to the PUT in relation to light and power businesses: a) for sales of electricity to another company in the same public service business for resale as such within the state, and b) amounts derived from the production, sale, or transfer of electrical energy for resale or consumption outside the state. Entities that are not subject to the PUT for energy resales are then subject to the state Business & Occupation Tax.

The Department of Revenue recently completed a study of electricity taxation in Washington. As a result of the study, the Department of Revenue has interpreted the statute regulating deductions from the PUT for the sales of electricity to another company in the same public service business for resale within the state as not applying to wholesale electricity transactions between a utility and a non-utility in the state. This means the state will apply the PUT to all such transactions.

A Light and Power business is defined to be the business of operating a plant or system for the generation, production, or distribution of electrical energy for hire or sale.

Summary of Bill:

Public Utility Tax exemptions are expanded to include revenue earned by any entity involved in the production, sale, or transfer of electrical energy for resale that is: a resale either within or outside the state, or resale for consumption outside the state.

Business and Occupation Tax exemptions are expanded to include revenues derived from the sale or resale of electrical energy within or outside the state.

Appropriation: No.

Fiscal Note: None requested.

Effective Date of Bill: This bill contains an emergency clause and takes effect immediately.