
SECOND SUBSTITUTE SENATE BILL 5681

State of Washington

56th Legislature

1999 Regular Session

By Senate Committee on Ways & Means (originally sponsored by Senator Brown)

Read first time 03/08/1999.

1 AN ACT Relating to studying the system of state and local taxation
2 of the electricity industry; and creating new sections.

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

4 NEW SECTION. **Sec. 1.** The legislature finds that changes have
5 occurred in the electricity industry because of federal deregulation of
6 the wholesale electricity market and the subsequent restructuring by
7 several states of their retail electricity markets. The legislature
8 further finds that such changes impact the electricity industry in the
9 state of Washington and that the extent of those impacts on the
10 taxation of the changing electricity industry are not fully
11 comprehended. The legislature therefore intends to commission a study
12 and report to examine current state and local taxation of the
13 electricity industry in order to receive options for state and local
14 taxes that avoid revenue loss, promote competitive neutrality, and
15 encourage economic development within the electricity industry.

16 NEW SECTION. **Sec. 2.** (1) The department of revenue shall conduct
17 a study and prepare a report of current state and local taxation of the
18 electricity industry and options for changes to avoid revenue loss,

1 promote competitive neutrality, and encourage economic development
2 within the electricity industry.

3 (2) The study shall include an analysis of the following:

4 (a) Current state and local taxation of the wholesale and retail
5 electricity industry, including tax incidence, rate, base, collection,
6 and allocation of the public utility tax, public utility district
7 privilege tax, sales and use tax, business and occupation tax, property
8 tax, real estate excise tax, and leasehold excise tax;

9 (b) Trends in the wholesale and retail electricity markets
10 affecting current and future revenue streams, including power imports
11 and exports by in-state and out-of-state suppliers;

12 (c) The extent to which existing state and local tax laws may be
13 insufficient to protect revenue streams in light of identifiable
14 wholesale and retail market changes;

15 (d) Whether the tax code is adequate to fairly tax new participants
16 in the market such as brokers, marketers, aggregators, and traders; and

17 (e) Options for state and local tax laws to protect existing
18 revenue streams, to promote competitive neutrality among wholesale and
19 retail electricity market participants, and to encourage economic
20 development within the electricity industry.

21 (3) The report shall include recommendations for legislative action
22 to implement the options analyzed in subsection (2)(e) of this section
23 that best accomplish the avoidance of revenue loss, promotion of
24 competitive neutrality, and encouragement of economic development
25 within the electricity industry.

26 (4) The department shall conduct the study with support from the
27 utilities and transportation commission, the energy division of the
28 department of community, trade, and economic development, and the state
29 auditor. The department shall consult with energy utilities, retail
30 electric customers, local governments, independent power producers,
31 brokers, marketers, traders, other interested parties, and the chairs
32 and ranking minority members of the committees of the senate and the
33 house of representatives with jurisdiction over electricity issues
34 periodically throughout the course of the study, and shall submit its
35 report to the legislature and the governor by December 1, 1999.

36 (5) All entities subject to current state and local taxes on assets
37 or activities related to the generation, transmission, distribution, or
38 the purchase and sale of electricity shall cooperate with the
39 department in the preparation of the study and the report required by

1 this section, and shall provide all information requested by the
2 department in a timely manner so that the study and report will be as
3 thorough as possible and completed on schedule.

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