

# HOUSE BILL REPORT

## SB 6826

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### As Passed House - Amended:

March 3, 2006

**Title:** An act relating to public utility taxes imposed on fees and charges for public transit services.

**Brief Description:** Exempting fees and charges for public transportation services from public utility taxes.

**Sponsors:** By Senator Benton.

### Brief History:

#### Committee Activity:

Finance: 2/20/06, 2/28/06 [DPA].

#### Floor Activity:

Passed House - Amended: 3/3/06, 98-0.

### Brief Summary of Bill (As Amended by House)

- Exempts fare-box revenue collected by the transit agencies from public utility tax.

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## HOUSE COMMITTEE ON FINANCE

**Majority Report:** Do pass as amended. Signed by 9 members: Representatives McIntire, Chair; Hunter, Vice Chair; Orcutt, Ranking Minority Member; Condotta, Conway, Ericks, Hasegawa, Santos and Shabro.

**Minority Report:** Do not pass. Signed by 2 members: Representatives Roach, Assistant Ranking Minority Member and Ahern.

**Staff:** Rick Peterson (786-7150).

### Background:

The public utility tax applies to the gross income derived from the operation of public and privately owned utilities. The tax is in lieu of the business and occupation (B&O) tax and applies to the general categories of transportation and the supply of energy and water. Unlike the B&O tax which pyramids, the public utility tax applies only on sales to consumers. Five different rates apply depending on the specific utility activity: distribution of water (5.029 percent); generation or distribution of electrical power (3.873 percent); distribution of natural gas and sewerage collection (3.852 percent); urban transportation and watercraft vessels under

65 feet in length (0.642 percent); and railroads, railroad car companies, motor transportation and all other public service businesses (1.926 percent). Revenue from the public utility tax goes to the General Fund except a portion of the tax on water distribution and sewerage collection goes to the Public Works Assistance Account.

Public and private entities who transport people or goods for hire are subject to the public utility tax. The urban transportation classification applies when the origin and destination is either within the same city, extends no more than five miles outside the city, or is between two cities no more than five miles apart. Otherwise the motor transportation classification applies.

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**Summary of Amended Bill:**

A public utility tax deduction is allowed for fare-box revenue collected by the transit agencies of counties, cities, public transportation benefit area authorities, and urban public transportation systems. Transit agencies must use an amount equal to the tax saving for increased service to low income and senior citizens.

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**Appropriation:** None.

**Fiscal Note:** Fiscal note on amended bill requested March 1, 2006.

**Effective Date of Amended Bill:** The bill takes effect 90 days after adjournment of session in which bill is passed.

**Testimony For:** Transit districts must pay public utility tax on the fares charged their riders. King County was exempted from this tax in the 1980s. This is a small amount of money for the state but enough for transit districts to pay for a bus driver or provide additional service. This is an issue of equity. It will help transit agencies that lost revenue when the motor vehicle excise tax was eliminated. This is a small step to provide more service.

**Testimony Against:** None.

**Persons Testifying:** Sharon Wylie, C-Tran; and Peter Thein, Washington State Transit Association.

**Persons Signed In To Testify But Not Testifying:** None.