
Finance Committee

HB 1992

Brief Description: Authorizing cities to impose a tax on water-sewer district services provided within the city.

Sponsors: Representatives Simpson and McIntire.

Brief Summary of Bill

- Allows cities or towns to impose a tax on the gross revenues of water-sewer districts earned from the provision of services to end-use customers within the city or town.

Hearing Date: 3/3/05

Staff: Mark Matteson (786-7145).

Background:

Cities are granted the power to license business activities and to charge amounts for such licenses. The state court has interpreted this provision broadly, to mean that cities have the authority to not only impose fees and taxes for the purposes of regulation but for the purposes of raising revenue, as well. Cities have used this authority to impose license fees and taxes upon businesses and utilities since statehood. Cities' taxes upon utilities are based on gross receipts. Cities may tax electric, gas, steam, and telephone businesses at rates up to six percent without voter approval, and water, sewer, solid waste, and stormwater utilities, with no rate restrictions.

A city may tax a city's own municipal utility or a privately operated utility that conducts services within the city. In general, however, a city may not tax a utility operated by another municipal corporation within the city limits. In a 1984 ruling, the Washington Supreme Court found that express statutory authority was necessary for the application of a city's tax to the services of another municipal corporation. One such authority allows cities to tax income derived specifically by public utility districts that sell electricity within the limits of cities.

Summary of Bill:

A city or town may impose a tax on the gross revenues earned by a water-sewer district from services provided to end-users within the city or town. A water-sewer district may adjust its rates within the city or town for any tax so imposed.

Appropriation: None.

Fiscal Note: Requested on February 17, 2005.

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