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**Finance Committee**

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**HB 2224**

**Brief Description:** Authorizing county utility taxes.

**Sponsors:** Representative Sommers.

**Brief Summary of Bill**

- Authorizes counties to impose a tax of up to two percent on utility businesses for the purposes of providing criminal justice revenues.

**Hearing Date:** 3/3/05

**Staff:** Mark Matteson (786-7145).

**Background:**

*Local business taxation in general.* Cities are granted broad power to license business activities and to charge amounts for such licenses. This has been interpreted by the court 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. Counties' powers are much more limited than that of cities. The counties' powers do not include the ability to license business activities and to impose fees or taxes for the purpose of regulation or raising revenue. Counties' authority to impose taxes derives from express authorization by the Legislature to do so for a specific tax.

*Local Utility Service Taxation.* Cities have traditionally taxed utilities in a manner similar to other businesses, based on gross receipts, but at rates which were typically higher than for other businesses. In 1982, the Legislature limited the rate at which cities could tax electric, gas, steam, and telephone businesses, including cellular telephone and paging businesses, to six percent. Cities may also tax water, sewer, solid waste, stormwater and cable television utilities, but there are no restrictions with respect to rates for these utilities; rates range from two percent to 24 percent.

According to the 2002 Tax and User Fee Survey conducted by the Association of Washington Cities, the following number of cities imposed utility taxes:

<u>Utility</u>	<u>No. Cities w/ Tax</u>
Natural Gas	148
Electricity	188
Telephone	182
Cellular phone	146

Water 146  
Sewer 136  
Solid Waste 131  
Cable TV 119

Counties are not provided the same authority that cities have to tax utilities in general. However, under the statutes governing county sewerage, water, and drainage systems, counties have the authority to impose a tax at a rate of up to eight percent on the gross revenues of a sewerage or water system operated by a county.

**Summary of Bill:**

Counties may impose a tax of up to two percent on the gross receipts of a utility business. Utility businesses include telephone, water, sewer, or solid waste businesses, as defined for the purpose of state taxation under the public utility or business and occupation taxes, and cable service businesses, as defined by the federal telecommunications act of 1996.

If imposed, the tax must apply countywide. The utility must add it to the base charges it makes for services and must show the tax separately on billing statements.

Revenues are dedicated to criminal justice purposes.

**Appropriation:** None.

**Fiscal Note:** Requested on March 1, 2005.

**Effective Date:** The bill takes effect January 1, 2006.