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**Finance Committee**

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**SB 6826**

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

**Sponsors:** Senator Benton.

**Brief Summary of Bill**

- Exempts fare-box revenue collected by the transit agencies of counties, cities, and public transportation benefit areas from public utility tax.

**Hearing Date:** 2/20/06

**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.

**Summary of Bill:**

A public utility tax deduction is allowed for fare-box revenue collected by the transit agencies of counties, cities, and public transportation benefit area authorities.

**Appropriation:** None.

**Fiscal Note:** Available.

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