

# SENATE BILL REPORT

## SB 5441

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As of November 28, 2011

**Title:** An act relating to creating a county utility tax option.

**Brief Description:** Creating a county utility tax option.

**Sponsors:** Senators Prentice, Nelson, Haugen, White and Kline.

**Brief History:**

**Committee Activity:** Government Operations, Tribal Relations & Elections: 2/21/11.

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### SENATE COMMITTEE ON GOVERNMENT OPERATIONS, TRIBAL RELATIONS & ELECTIONS

**Staff:** Sam Thompson (786-7413)

**Background:** Cities have traditionally assessed excise tax on utilities in a manner similar to that used for other businesses, based on gross receipts, but at rates that were typically higher than for other businesses.

According to the 2010 Tax and User Fee Survey conducted by the Association of Washington Cities, of the cities answering this survey question, the following number of cities imposed utility taxes, Type of Utility/No. Cities Imposing Tax:

- Natural Gas/121;
- Electricity/170;
- Telephone/173;
- Water/145;
- Sewer/135;
- Storm Drainage/60;
- Cable TV/111; and
- Garbage/130.

The range of for all utility taxes is a high of 40 percent for garbage to a low of 1 percent for cable TV and storm drainage. Natural gas and electricity utility taxes range from 14.74 percent to 2 percent.

By contrast, counties are not generally provided the same authority that cities have to tax utilities. However, under the statutes governing county sewerage, water, and drainage

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systems, counties have the authority to impose a tax at a rate of up to 8 percent on the gross revenues of a sewerage or water system operated by a county.

**Summary of Bill:** A county may impose an excise tax on a utility for the privilege of engaging in business as a utility. The county may seek voter approval to impose this tax, but is not required to do so. Every county, except those with a population of 1.5 million (King County), may not impose this tax on a gas utility. The timing of the county's initiation of the tax is restricted.

The rate that may be imposed on an electrical power utility is limited to less than 1 percent, except for counties with populations of more than 1.5 million (King County) which may impose a rate up to 6 percent. The rate on other utilities is limited to 6 percent for all counties.

The use of the tax is limited to public safety, infrastructure, capital projects, and other services. The utility must charge the ratepayer the tax, if it is assessed, and state it separately on the billing.

The county may provide for exemptions to the tax for business customers but may not provide a general exemption to residential customers unless business customers are also exempt. The county must credit against this tax for the amount of any similar utility tax imposed by a city or town on the same taxable event. The county must also credit this tax against the franchise fees cable companies pay to the county.

The various utilities are defined, as is the term gross income.

**Appropriation:** None.

**Fiscal Note:** Not requested.

**Committee/Commission/Task Force Created:** No.

**Effective Date:** Ninety days after adjournment of session in which bill is passed.