

# SENATE BILL REPORT

## SB 5595

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As Reported by Senate Committee On:  
Government Operations, Tribal Relations & Elections, February 17, 2011  
Ways & Means, February 25, 2011

**Title:** An act relating to distribution of the public utility district privilege tax.

**Brief Description:** Concerning distribution of the public utility district privilege tax.

**Sponsors:** Senator Parlette.

**Brief History:**

**Committee Activity:** Government Operations, Tribal Relations & Elections: 2/15/11, 2/17/11 [DPS-WM].  
Ways & Means: 2/24/11, 2/25/11 [DP2S].

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

**Majority Report:** That Substitute Senate Bill No. 5595 be substituted therefor, and the substitute bill do pass and be referred to Committee on Ways & Means.

Signed by Senators Pridemore, Chair; Swecker, Ranking Minority Member; Chase, Nelson and Roach.

**Staff:** Diane Smith (786-7410)

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### SENATE COMMITTEE ON WAYS & MEANS

**Majority Report:** That Second Substitute Senate Bill No. 5595 be substituted therefor, and the second substitute bill do pass.

Signed by Senators Murray, Chair; Kilmer, Vice Chair, Capital Budget Chair; Zarelli, Ranking Minority Member; Parlette, Ranking Minority Member Capital; Baumgartner, Baxter, Brown, Conway, Fraser, Hatfield, Hewitt, Holmquist Newbry, Honeyford, Kastama, Keiser, Kohl-Welles, Pflug, Pridemore, Regala, Rockefeller, Schoesler and Tom.

**Staff:** Dean Carlson (786-7305)

**Background:** Public utility district (PUD) privilege tax is an in-lieu-of property tax. It applies to electricity-generating facilities for the privilege of operating in this state. The tax

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rate has several components including gross income derived from the sale of electricity, the number of kilowatt hours of self-generated energy which is either distributed to consumers or resold to other utilities, and the wholesale value of energy produced in thermal generating facilities.

The PUDs report the facts pertinent to calculation of the tax to the Department of Revenue (DOR) once per year. DOR calculates the tax owed and collects the taxes paid by the PUDs. These tax proceeds are deposited with the State Treasurer.

The State Treasurer deposits 4 percent of the proceeds from the basic tax rate to the state general fund. The remaining 96 percent is distributed: 37.6 percent to the state general fund for public schools; and 62.4 percent to the counties to be redistributed.

A county must distribute funds to each taxing district in the county, but not to school districts, in a manner the county deems most equitable. However, it can be no less than an amount equal to 0.0075 percent of the gross revenues obtained by a PUD from the sale of electricity to the city.

A circumstance is not addressed in the statutory distribution of this tax. This circumstance is where a PUD is located in a city but does not sell any electricity to that city.

**Summary of Bill:** The bill as referred to committee not considered.

**Summary of Bill (Recommended Second Substitute):** If a county receives privilege taxes because a public utility district operated by another county owns fee title to property in a city or town in the county, but the district has no sales of electrical energy in that city or town, the county may retain 60 percent of the tax proceeds and each city or town where property is owned shall divide the remainder equally. This only applies when the city or town is adjoins a reservoir on the Columbia river wholly or partially created by such district's hydroelectric facility which began power generation in 1967.

The bill applies to PUD privilege taxes to be distributed in 2012 and thereafter.

**EFFECT OF CHANGES MADE BY WAYS & MEANS COMMITTEE (Recommended Second Substitute):** The distribution of the privilege tax is changed to 60 percent to the county and then an equal split to the qualifying cities within the county. Language was added to ensure this bill would only effect Okanogan County.

**Appropriation:** None.

**Fiscal Note:** Available.

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

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

**Staff Summary of Public Testimony on Recommended First Substitute (Government Operations, Tribal Relations & Elections):** PRO: These funds are already collected from

the PUD. Getting them to the city is a simple fix. For 45 years, Okanogan County has received this privilege tax but the city of Pateros has never received a distribution to fairly compensate the city.

**Persons Testifying (Government Operations, Tribal Relations & Elections):** PRO: Gail A. Howe, Mayor, City of Pateros; George Brady, Councilman, City of Pateros.

**Staff Summary of Public Testimony (Ways & Means):** None.

**Persons Testifying (Ways & Means):** No one.