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## Finance Committee

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### SSB 6259

**Brief Description:** Providing a reduced public utility tax for log transportation businesses.

**Sponsors:** Senate Committee on Ways & Means (originally sponsored by Senators Hargrove, Hatfield, Braun and Hobbs).

<p style="text-align: center;"><b>Brief Summary of Substitute Bill</b></p> <ul style="list-style-type: none"><li>• Provides a lower public utility tax rate for log transportation businesses.</li></ul>
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**Hearing Date:** 3/7/14

**Staff:** Jeff Mitchell (786-7139).

**Background:**

Washington's major business tax is the business and occupation (B&O) tax. The B&O tax is imposed on the gross receipts of business activities conducted within the state, without any deduction for the costs of doing business. Revenues are deposited in the State General Fund. A business may have more than one B&O tax rate, depending on the types of activities conducted. There are a number of different rates. The main rates are 0.471 percent for retailing; 0.484 percent for manufacturing, wholesaling, and extracting; and 1.5 percent for professional and personal services, and activities not classified elsewhere.

Income from utility operations is taxed under the public utility tax (PUT) and is in lieu of the B&O tax. Unlike the B&O tax, the PUT applies only on sales to consumers.

The PUT has five different tax rates, depending upon the specific utility activity. The current rates, including permanent surtaxes, are:

- distribution of water, 5.029 percent;
- generation or distribution of electrical power, 3.873 percent;
- telegraph companies, distribution of natural gas, and collection of sewerage, 3.852 percent;

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- 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.

A motor transportation business transports persons or property for hire and includes log hauling services, except where the transportation of logs occurs exclusively upon private roads or private highways.

In 2009 the Legislature passed Chapter 469, 2009 Laws (ESSB 6170), which reduced the usual PUT rate on log hauling from 1.926 percent to 1.3696 percent. The preferential tax rate expired on July 1, 2013.

**Summary of Bill:**

The PUT rate is permanently reduced from 1.926 percent to 1.3696 percent on the hauling of logs over public highways.

**Appropriation:** None.

**Fiscal Note:** Available.

**Effective Date:** The bill takes effect on July 1, 2014.