Washington State
House of Representatives
Office of Program Research

BILL ANALYSIS

Finance Committee

HB 1549

Brief Description: Providing reasonable tools for the effective administration of the public utility district privilege tax.

Sponsors: Representative Carlyle; by request of Department of Revenue.

Brief Summary of Bill

- Modifies the administration of the public utility district privilege tax.

Hearing Date: 1/27/15

Staff: Richelle Geiger (786-7175).

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

The following distribution requirements apply to the PUD privilege taxes collected on electricity generating or distribution facilities (other than the nuclear power plant on the Hanford reservation). 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 as follows: 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, except school districts, in a manner the county deems most equitable. However, a city within the county must receive an amount at least equal to 0.75 percent of the gross revenues obtained from the sale of electricity within the city.

Summary of Bill:

The administration of the PUD privilege tax is modified.

Beginning January 1, 2016, PUDs are required to file all reports and remit all PUD privilege tax payments electronically. These requirements may be waived for good cause. Good cause is defined as circumstances or conditions that prevent the district from electronically submitting reports or remitting payments or if the department determines relief from electronic filing supports the efficient or effective administration of the tax. If a district fails to remit payments electronically, the Department must assess a 5% penalty.

An administrative mechanism is provided for obtaining refunds of overpaid taxes and applying interest to refund amounts. The PUD privilege tax distributions by the state to counties, cities, fire protection districts, and library districts are required to be reduced to account for taxes previously distributed to these jurisdictions and subsequently refunded to a PUD. Refunds or credits of taxes, penalties, or interest paid are limited to the Department to three years after June 1 of the year the PUD privilege tax report is due. The Department is required to provide an informal review of assessments and refund claims.

Assessments of additional taxes, penalties, and interest due are limited to three years after June 1 of the year the PUD privilege tax report is due.

Any taxpayer liable for PUD privilege tax are required to maintain suitable records that are necessary to calculate tax liability for a period of five years. The records must be available for audit by the Department.

The Department may waive or cancel delinquent penalties and interest under certain circumstances.

Tax refund lawsuits are allowed to be brought to the Thurston County Superior Court. The Department may enter into settlement agreements without the need to resort to litigation.

Appropriation: None.

Fiscal Note: Available.

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