

SENATE BILL REPORT

SB 5257

As Reported by Senate Committee On:
Ways & Means, April 1, 2015

Title: An act relating to providing a reduced public utility tax for log transportation businesses.

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

Sponsors: Senators Hargrove, Hill, Hatfield and Braun.

Brief History:

Committee Activity: Ways & Means: 1/26/15, 4/01/15 [DPS].

SENATE COMMITTEE ON WAYS & MEANS

Majority Report: That Substitute Senate Bill No. 5257 be substituted therefor, and the substitute bill do pass.

Signed by Senators Hill, Chair; Braun, Vice Chair; Dammeier, Vice Chair; Honeyford, Vice Chair, Capital Budget Chair; Hargrove, Ranking Member; Keiser, Assistant Ranking Member on the Capital Budget; Ranker, Ranking Minority Member, Operating; Bailey, Becker, Billig, Brown, Conway, Fraser, Hasegawa, Hatfield, Hewitt, Kohl-Welles, O'Ban, Padden, Parlette, Rolfes, Schoesler and Warnick.

Staff: Juliana Roe (786-7438)

Background: Business and Occupation (B&O) Tax. Washington's major business tax is the 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.

Public Utility Tax (PUT). Income from utility operations is taxed under the PUT and is in lieu of the B&O tax; other income of the utility firm, e.g. retail sales of tangible personal property, is subject to the B&O tax. Unlike the B&O tax which pyramids, the PUT applies only on sales to consumers. Five different rates apply, depending upon the specific utility activity. The current rates, including permanent surtaxes, are as follows:

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- 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;
- 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.

In 2009 the Legislature passed ESSB 6170, which reduced the usual PUT rate on log hauling from 1.926 percent to 1.3696 percent of gross income. That reduced rate expired in June 2013.

Summary of Bill (Recommended Substitute): The PUT rate is permanently reduced from 1.926 percent to 1.3696 percent on the hauling of logs over public highways.

The hauling of logs over private roads is subject to the B&O tax under the service and other activities classification. The taxation of the transportation of logs that occur exclusively over private roads is not affected.

EFFECT OF CHANGES MADE BY WAYS & MEANS COMMITTEE (Recommended Substitute): Reduces ambiguity as to whether a log transportation business would be eligible to report under the urban transportation PUT when they haul short distances.

Appropriation: None.

Fiscal Note: Available.

Committee/Commission/Task Force Created: No.

Effective Date: The bill contains an emergency clause and takes effect on July 1, 2015.

Staff Summary of Public Testimony on Original Bill: PRO: Unfortunately this reduced tax credit expired in 2013 without the Legislature noticing. These logging truck drivers work an average of 69 hours per week and barely make minimum wage. It is difficult to employ good drivers because of the poor pay. There are good reasons to segregate this business and reduce the rate imposed on this business. The logging industry is a critical part of Washington's logging infrastructure. Many logging businesses are small, family-owned businesses and many drivers are owner-operators. These businesses need this tax exemption in order to continue to be viable operators in the transporting of logs. This industry has not recovered from the economic downturn. The short time that we did have the exemption proved to be very helpful. We have subsequently lost half of our membership. Because we are generally located in rural parts of the state, our industry was more greatly effected than metropolitan areas.

In 2009 the Legislature passed a bill relating to the logging industry that provided B&O tax preferences. The bill inadvertently left out the truckers who pay the PUT and not the B&O tax. This has left the truckers at a disadvantage.

Persons Testifying: PRO: Senator Hargrove, prime sponsor; Sheri Call, WA Trucking Assn. (WTA); John McKay, WTA, McKay & Sons Logging; Paulette Gilliardi, WTA, Gilliardi Logging; Jerry Bonagofsky, WA Contract Loggers Assn.; John Ehrenreich, WA Forest Protection Assn.

Persons Signed in to Testify But Not Testifying: No one.