

HOUSE BILL REPORT

HB 1561

As Reported by House Committee On:
Finance

Title: An act relating to increasing the public utility tax exemption threshold and annually adjusting the threshold for inflation.

Brief Description: Increasing the public utility tax exemption threshold and annually adjusting the threshold for inflation.

Sponsors: Representatives Jacobsen, Griffey, Schmidt, Riccelli, Eslick and Ryu.

Brief History:

Committee Activity:

Finance: 2/7/23, 2/21/23 [DPS].

Brief Summary of Substitute Bill

- Increases the public utility tax monthly gross income exemption threshold from \$2,000 to \$4,000 and requires the threshold to be annually adjusted for inflation.

HOUSE COMMITTEE ON FINANCE

Majority Report: The substitute bill be substituted therefor and the substitute bill do pass. Signed by 12 members: Representatives Berg, Chair; Street, Vice Chair; Orcutt, Ranking Minority Member; Jacobsen, Assistant Ranking Minority Member; Barnard, Chopp, Ramel, Santos, Springer, Stokesbary, Walen and Wylie.

Staff: Kristina King (786-7190).

Background:

Public Utility Tax.

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not part of the legislation nor does it constitute a statement of legislative intent.

The gross income derived from the operation of publicly and privately owned utilities is subject to the public utility tax (PUT), unless otherwise exempt. The tax is imposed in lieu of the business and occupation (B&O) tax and is applied only on sales to consumers. Other income of the utility, such as retail sale of tangible personal property, is subject to the B&O tax. There are six different PUT rates, depending on the specific utility activity. The rates are:

- 3.852 percent on telegraph companies, distribution of natural gas, and the collection of sewage;
- 3.8734 percent on the generation or distribution of electrical power;
- 0.642 percent on urban transportation and watercraft vessels under 65 feet in length;
- 1.926 percent on motor transportation, railroads, railroad car companies, and all other public service businesses;
- 5.029 percent on the distribution of water; and
- 1.3696 percent on log transportation.

A taxpayer who engages in one or more businesses subject to PUT is fully exempt from the tax if their total gross income is \$2,000 or less per month. Any taxpayer that has a total gross income greater than \$2,000 per month does not receive an exemption or deduction under this provision. A business does not have to file an excise tax return for PUT if the business does not owe other taxes or fees to the Department of Revenue and has annual gross proceeds of less than \$24,000.

Summary of Substitute Bill:

The \$2,000 gross income exemption threshold for PUT is increased to \$4,000 and is required to be annually adjusted for inflation.

Substitute Bill Compared to Original Bill:

The substitute bill:

- changes the inflation index from the Consumer Price Index for All Urban Wage Earners and Clerical Workers to the Consumer Price Index for All Urban Consumers;
- allows for the threshold adjustment to be applied for annual filers;
- specifies rounding procedures for annual inflation adjustments;
- changes the effective date from July 1, 2023, to January 1, 2024; and
- exempts the preference from all tax preference performance requirements in RCW 82.32.805 and 82.32.808.

Appropriation: None.

Fiscal Note: Available.

Effective Date of Substitute Bill: The bill takes effect on January 1, 2024.

Staff Summary of Public Testimony:

(In support) During a committee work session, it was noted that the B&O tax income threshold has been increased in recent legislation, however, the PUT, which is paid in lieu of the B&O tax for some businesses, including Uber and Lyft drivers, has not. This bill intends to bring the income threshold for PUT up to a level playing field with the B&O threshold. The bill increases the threshold from \$2,000 to \$4,000 and indexes it for inflation. The Legislature should support people like those Uber and Lyft drivers who have side jobs, and this bill will help with that.

(Opposed) None.

Persons Testifying: Representative Cyndy Jacobsen, prime sponsor.

Persons Signed In To Testify But Not Testifying: None.