

Public Utility Tax

RCW Chapter 82.16

Tax Base Gross income derived from operation of public and privately owned utilities, including businesses that engage in transportation, communications, and the supply of energy and water. This tax is in lieu of the B&O tax and is applied only on sales to consumers. Other income of the utility firm, such as retail sales of tangible personal property, is subject to B&O tax.

Tax exemptions may reduce the tax liability for this tax base. For more information, refer to the [Tax Exemption Study](#).

Tax Rate Six different rates apply, depending upon the specific utility activity. The rates, including permanent surtaxes imposed under RCW 82.16.020(2), are:

Classification	Rate
Telegraph companies, distribution of natural gas, and collection of sewerage	3.852%
Generation/distribution of electrical power	3.8734%
Urban transportation and watercraft vessels under 65 feet in length	0.642%
Motor transportation, railroads, railroad car companies, and all other public service businesses	1.926%
Distribution of water	5.029%
Log Transportation	1.3696%

Recent Collections (\$000)

Fiscal Year	Collections	% Change	% of All State Taxes
2018	\$421,403	-1.1%	2.0%
2017	\$425,985	1.3%	2.2%
2016	\$420,623	5.0%	2.3%
2015	\$400,482	-3.2%	2.4%
2014	\$413,682	4.6%	2.6%
2013	\$395,622	4.9%	2.6%
2012	\$377,245	-5.8%	2.6%
2011	\$400,380	7.2%	2.8%
2010	\$373,621	-3.2%	2.8%
2009	\$386,101	1.5%	2.5%

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Distribution of Receipts	<p>Unless otherwise specified, receipts from this tax are deposited into the State General Fund.</p> <p>Through June 30, 2023:</p> <ul style="list-style-type: none">• 20 percent of receipts from the base 4.7 percent tax on the activity of water distribution, and• 60 percent of receipts from the base 3.6 percent tax on the activity of sewerage collection are deposited into the Education Legacy Trust Account. <p>On July 1, 2023, these receipts are deposited in the Public Works Assistance Account.</p>
Levied by	State
Administration	<p>Department of Revenue.</p> <p>Public utility businesses report on the Public Utility Addendum to the Combined Excise Tax Return.</p>
History	<p>2017 Distribution of receipts to the Education Legacy Trust Account for water distribution and sewerage collection activities are extend through FY 2023.</p> <p>2013 Rate for transporting logs on public highways expired June 30.</p> <p>2009 Rate for transporting logs on public highways reduced to 1.28 percent.</p> <p>1996 Rate for rail and rail car businesses reduced to 1.8 percent.</p> <p>1989 Pursuant to a court decision in the Washington Water Power case, generation of electric power for sale out of state is exempt from public utility and B&O tax. Rate increase to 3.62 percent for power produced in Washington.</p> <p>1986 Garbage collection returned to B&O tax and new refuse collection tax. Warehousing transferred from public utility to B&O tax.</p> <p>1985 Funding for local public works via public utility tax. Sewerage and refuse collection transferred from B&O tax to public utility tax. Sewerage tax at 3.6 percent. Water distribution and refuse collection businesses taxed</p>

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- at 4.7 percent. 70 percent of moneys collected from refuse collection are deposited in public works assistance account.
- 1983 Telephone service is a retail sale subject to B&O and retail sales tax, not public utility tax.
- 1982 Utility tax rates have an additional surcharge of 4 percent beginning in April and increased to 7 percent in July. Gas distribution rate increased to 3.6 percent.
- 1981 Competitive telephone service subject to sales tax instead of public utility tax.
- 1971 Rate for gas distribution increased from 2.4 to 3 percent.
- 1967 Rates increased: railroad to 3.6 percent, gas distribution to 2.4 percent, urban transportation and vessels under 65 feet in length to 0.6 percent, and motor transportation, tugboat and all other public services businesses to 1.8 percent.
- 1965 Tugboat businesses are taxed under motor transportation instead of vessels.
- 1961 Definition for highway transportation changed to motor transportation.
- 1957 Surtax rate increased to 20 percent.
- 1951 Additional surtax of 10 percent was added to the public utility tax rate.
- 1939 Common carrier railroad in which 80 percent of their business is from operating as a plant facility pays one-fourth of one percent on the plant activity. The remaining business activity is taxed at three percent.
- 1935 Public utility tax was established as a separate tax and the rates remained the same.
- 1933 Utility operations were included under the 1933 Business Activities Tax. Rates were 3 percent for most utilities, 2 percent for distribution of gas, 0.5 percent for urban transportation and vessels, and 1.5 percent for highway transportation and all other public services. Two years later the public utility tax was established as a separate tax, but the same rates were retained.