

3. ACCOUNTING

3.6 Revenues 3.6.13 Utility Tax

- 3.6.13.10 Tax authorized by RCW [35.22.195](#), RCW [35.23.440\(8\)](#), RCW [35.27.370\(9\)](#) and RCW [35A.82.020](#) are often referred to as “utility tax”. However, the tax is just a standard business and occupation (B&O) tax levied by the general fund on the city’s utilities. The tax is not substantially different from the B&O tax charged by the general fund to other businesses in the city.

This is a tax on the utility, not a tax on the customers. If the utility wants to recoup the tax (and there is no such obligation), it can do so by adjusting the customers’ rate for services. Also, there is no requirement to single out this rate component on the utility bill.

An increase in customers’ bills does not change the nature of the tax – it remains a B&O tax on utilities and not on customers.

- 3.6.13.20 For the tax limits refer to RCW [35.21.870](#). The utility tax does not have any statutory purpose or use restrictions, but governments may choose to impose restrictions on the revenues as part of the enabling ordinance.

3.6.13.30 **Accounting and Reporting**

The B&O tax should be accounted for as a revenue in the general fund (3164000) and expenditure in the utility fund (53P0040).

If the utility passes the tax on to its customers, the additional charges should be recognized as revenue (343P000) not in the general fund but directly in the utility fund. The utility’s payment of its B&O tax to the general fund is a separate transaction that should be reflected as an expenditure of the utility fund (53P0040) and revenue of the general fund (3164000). Since the tax is a revenue source in the general fund and expenditure in the utility fund, it is inappropriate to account for this transaction as transfer-in or transfer-out.