

# SENATE BILL REPORT

## SB 6331

---

---

As of January 26, 2010

**Title:** An act relating to tax relief for aluminum smelters.

**Brief Description:** Concerning tax relief for aluminum smelters.

**Sponsors:** Senators Ranker, Parlette, Shin and Brandland.

**Brief History:**

**Committee Activity:** Ways & Means: 1/25/10.

---

### SENATE COMMITTEE ON WAYS & MEANS

**Staff:** Dean Carlson (786-7305)

**Background:** In 2004 the Legislature adopted several tax preferences for the aluminum industry citing the need to maintain family wage jobs amid high electricity costs that effect the aluminum industry. In 2006 the Legislature expanded some of the tax preferences and expired most of the tax incentives in 2012. The Legislature also required reports to be conducted by the legislative fiscal committees in 2007, 2010, and 2015.

The tax incentives that expire in 2012 are as follows:

- a preferential business and occupation tax rate of 0.2904 percent. (The rate for manufacturing is 0.484 percent.);
- a business and occupation tax credit for all property taxes paid;
- a sales tax exemption for tangible personal property and labor and services used to incorporate such property into buildings or other structures at an aluminum smelter; and
- an exemption for the use of brokered natural gas used at an aluminum smelter.

The Citizens Commission on Tax Preferences just completed a review of the tax preferences of the aluminum industry. They recommended that the Legislature extend the expiration date because the goal of preserving family wage jobs is maintained and the fact that high energy prices remain an issue.

**Summary of Bill:** The expiration date of tax preferences for the aluminum industry is extended from 2012 until 2017. The requirement that the legislative fiscal committees provide a report on the effectiveness of the incentives in 2010 and 2015 is removed.

---

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

However, the incentives will again be required to be reviewed by the Citizens Commission on Tax Preferences in 2015.

**Appropriation:** None.

**Fiscal Note:** Available.

**Committee/Commission/Task Force Created:** No.

**Effective Date:** Ninety days after adjournment of session in which bill is passed.

**Staff Summary of Public Testimony:** PRO: The Ferndale plant has 528 employees and they have been living on the edge during negotiations of a power deal. We continue to lose money and will only keep going as long as we see light at the end of the tunnel. We don't intend to ask for another extension later. We have the second most energy efficient smelter in the nation and it could turn very lucrative. We partner with the community on many projects such as a world-wide month of service. We worked on nine community projects over six weeks. We are the smallest smelter in the country so we struggle on keeping costs down. We hope to start a third line with a new power contract. The Intalco plant is extremely important to the Ferndale community and the northwest region.

**Persons Testifying:** PRO: Mike Rousseau, Nik Winjum, Alcoa; Pat Flaherty, Alcoa/IAMAW; Guy Occhiogrosso, Ferndale Chamber of Commerce.