

SENATE BILL REPORT

SB 6401

As Passed Senate, March 7, 1996

Title: An act relating to sales and use taxation of carbon that becomes an ingredient or component of anodes or cathodes used in producing aluminum for sale.

Brief Description: Providing a sales and use tax exemption for carbon used in producing aluminum.

Sponsors: Senators Bauer, Sellar, Snyder, Newhouse, Sutherland, Zarelli, Sheldon, A. Anderson, Spanel and Roach; by request of Department of Revenue.

Brief History:

Committee Activity: Ways & Means: 2/2/96, 3/7/96 [DP].
Passed Senate, 3/7/96, 47-0.

SENATE COMMITTEE ON WAYS & MEANS

Majority Report: Do pass.

Signed by Senators Rinehart, Chair; Loveland, Vice Chair; Bauer, Cantu, Drew, Finkbeiner, Fraser, Hargrove, Hochstatter, Johnson, Kohl, Long, McDonald, Moyer, Quigley, Roach, Sheldon, Snyder, Spanel, Strannigan, Sutherland, West, Winsley and Wojahn.

Staff: Terry Wilson (786-7433)

Background: The sales tax is imposed on each retail sale of most articles of tangible personal property and certain services. Taxable services include construction, repair, telephone, short-term lodging, physical fitness, and some recreation and amusement services.

The retail sales tax does not apply to the purchase of property for the purpose of resale without intervening use by the person; to the purchase of property which becomes an ingredient or component of a new article of property for sale; or to the purchase of property which is a chemical used in processing, when the primary purpose of the chemical is to create a chemical reaction directly through contact with an ingredient of a new article being produced for sale.

Summary of Bill: Sales of carbon, petroleum coke, coal tar, pitch, and similar substances that become an ingredient or component of anodes or cathodes used in producing aluminum for sale are exempt from sales tax.

Appropriation: None.

Fiscal Note: Available.

Effective Date: The bill takes effect on July 1, 1996.

Testimony For: Electricity breaks oxygen from alumina and combines with the carbon. Otherwise, the oxygen would recombine with the aluminum. The Department has been exempting anodes since 1957. The industry asked to extend it to cathodes and the department realized that anodes should not be exempt either. This is a clarification of existing practice with a slight modification. There is a significant negative impact if the bill is not passed. Exempting cathodes would save Kaiser \$80,000, but taxing anodes will cost \$2,000,000.

Testimony Against: None.

Testified: Ken Johnson, Kaiser Aluminum (pro); Jim Dwyer, Intalco Aluminum (pro); Ryan Spiller, Department of Revenue (pro).