

# SENATE BILL REPORT

## SHB 2424

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As Reported by Senate Committee On:  
Ways & Means, February 26, 2018

**Title:** An act relating to correcting the use tax exemption for self-produced fuel.

**Brief Description:** Correcting the use tax exemption for self-produced fuel.

**Sponsors:** House Committee on Finance (originally sponsored by Representatives Lytton and Nealey).

**Brief History:** Passed House: 1/29/18, 95-0.

**Committee Activity:** Ways & Means: 2/22/18, 2/26/18 [DPA(WM), w/oRec].

### Brief Summary of Amended Bill

- Moves the effective date of the use tax rate for refinery fuel gas from August 1, 2017, to January 1, 2018.
- Moves the effective date of the narrowing of the self-produced fuel exemption from August 1, 2017, to January 1, 2018.

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### SENATE COMMITTEE ON WAYS & MEANS

**Majority Report:** Do pass as amended by Committee on Ways & Means.

Signed by Senators Honeyford, Assistant Ranking Member; Bailey, Becker, Billig, Brown, Carlyle, Conway, Darneille, Fain, Hunt, Keiser, Mullet, Palumbo, Pedersen, Ranker, Rivers, Schoesler, Van De Wege, Wagoner and Warnick.

**Minority Report:** That it be referred without recommendation.

Signed by Senator Hasegawa.

**Staff:** Alia Kennedy (786-7405)

**Background:** In 2017, EHB 2163 made changes to the use tax exemption for self-produced fuels effective August 1, 2017.

The state use tax exemption for self-produced fuel was narrowed to apply to biomass fuel only.

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*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.*

The state use tax rate for refinery fuel gas was set as follows:

- 0.963 percent for calendar year 2018;
- 1.926 percent for calendar year 2019;
- 2.889 percent for calendar year 2020; and
- 3.852 percent beginning January 1, 2021.

As the result of the effective date of August 1, 2017, the use tax rate applied to refinery fuel gas defaulted to 6.5 percent for the last five months of 2017.

**Summary of Amended Bill:** A tax preference performance statement is provided for the changes made to the tax preference for self-produced fuels in EHB 2163. In addition, the effective date for the use tax rates for refinery gas fuel and for the narrowing of the use tax exemption for self-produced fuel is retroactively and prospectively changed to January 1, 2018.

**EFFECT OF WAYS & MEANS COMMITTEE AMENDMENT(S):** Makes a technical correction to remove section 107, chapter 28, Laws of 2017 3rd sp. sess. (section 107 from Engrossed House Bill No. 2163) from the tax preference performance statement because section 107 is not a tax preference.

**Appropriation:** None.

**Fiscal Note:** Available.

**Creates Committee/Commission/Task Force that includes Legislative members:** No.

**Effective Date:** The bill contains an emergency clause and takes effect immediately.

**Staff Summary of Public Testimony on Substitute House Bill:** *The committee recommended a different version of the bill than what was heard.* PRO: Last session, the Legislature passed legislation to begin taxing refinery extracted fuels or refinery gases. The intention was to impose the tax beginning January 1, 2018, at the public utility tax rate of 3.852 percent. However, a drafting error had the effect of imposing the tax starting August 1, 2017, at the much higher default sales tax rate of 6.5 percent. The Legislature issued a letter stating its intent, and in response to that letter, the Department of Revenue delayed administration or collect of those taxes until January 1, 2018, in order to give the Legislature time to introduce legislation addressing this issue. No taxes have been collected pursuant to the 2017 legislation.

**Persons Testifying:** PRO: Greg Hanon, WSPA.

**Persons Signed In To Testify But Not Testifying:** No one.