

SENATE BILL REPORT

SB 6007

As Passed Senate, March 5, 2018

Title: An act relating to extending the expiration date of the public utility tax exemption for certain electrolytic processing businesses.

Brief Description: Extending the expiration date of the public utility tax exemption for certain electrolytic processing businesses.

Sponsors: Senators Takko, Sheldon, Van De Wege and Warnick.

Brief History:

Committee Activity: Energy, Environment & Technology: 1/18/18, 1/24/18 [DP].
Ways & Means: 2/22/18, 2/26/18 [DP, w/oRec].

Floor Activity:

Passed Senate: 3/05/18, 49-0.

Brief Summary of Bill

- Requires the Joint Legislative Audit and Review Committee (JLARC) to conduct a review of certain data regarding the public utility tax (PUT) exemption for electrolytic processing businesses.
- Extends expiration dates.

SENATE COMMITTEE ON ENERGY, ENVIRONMENT & TECHNOLOGY

Majority Report: Do pass.

Signed by Senators Carlyle, Chair; Palumbo, Vice Chair; Ericksen, Ranking Member; Brown, Hawkins, Hobbs, McCoy, Ranker, Sheldon and Wellman.

Staff: Angela Kleis (786-7469)

SENATE COMMITTEE ON WAYS & MEANS

Majority Report: Do pass.

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.

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.

Minority Report: That it be referred without recommendation.

Signed by Senator Hasegawa.

Staff: Alia Kennedy (786-7405)

Background: PUT. The PUT is a tax on public service businesses, including businesses that engage in transportation, communications, and the supply of energy, natural gas, and water. Income from the utility operations is taxed under the PUT in lieu of the business and occupation tax.

PUT Exemption. In 2004, the Legislature enacted a PUT exemption for sales of electricity made by a utility to chlor-alkali or sodium chlorate electrolytic processors (exemption) in order to achieve the following goals:

- retain family-wage jobs in the electrolytic processing industry; and
- allow electrolytic processors to continue electrolytic production in Washington so that the industries remain competitive and positioned to preserve and create new jobs.

In order to qualify for the exemption, the sales contract between a utility and a chlor-alkali or a sodium chlorate electrolytic processor must meet certain conditions.

Under current law, the exemption does not apply to sales of electricity made after December 31, 2018. The exemption expires on June 30, 2019.

JLARC. JLARC conducts performance audits, program evaluations, sunset reviews, and other analyses at the direction of the Legislature and JLARC on its own.

Summary of Bill: JLARC Review. In order to measure the effectiveness of the exemption, JLARC must review data regarding:

- the impact of the exemption on electricity costs;
- whether electrolytic processors in Washington receive tax treatment similar to the treatment of competing firms in other states; and
- the number of family-wage jobs in electrolytic processing in Washington.

JLARC may refer to data provided to the Department of Revenue and the Employment Security Department during the review process.

The Legislature intends to extend the expiration date of the exemption if the JLARC review finds that:

- electricity costs are reduced and that Washington electrolytic processors receive similar tax treatment as those provided in other states; or
- the number of family-wage jobs has been preserved.

However, JLARC must provide recommendations on how to improve the exemption if the review finds that:

- electricity costs have not been reduced or that similar tax treatment as provided in other states has not been maintained; or
- the number of family-wage jobs has not been maintained.

Expiration Dates Extension. The date after which the exemption does not apply to sales of electricity made is extended to December 31, 2028. The exemption expiration date is extended to July 1, 2029.

Definitions. Family-wage jobs means jobs paying a wage equal to at least the average manufacturing wage in the county in which the jobs are located.

Appropriation: None.

Fiscal Note: Available.

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

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

Staff Summary of Public Testimony (Energy, Environment & Technology): PRO: The exemption is doing its job. It keeps people employed and increases employment by bringing family-wage jobs to the area. This exemption helps us stay competitive and is critical to the long-term viability of our businesses. Electricity used in the electrolytic process is a raw material.

Persons Testifying (Energy, Environment & Technology): PRO: Senator Dean Takko, Prime Sponsor; Tim Boyd, AkzoNobel & Axiall Longview; Pat Ealy, AkzoNobel, Moses Lake; Tim Root, Axiall Longview.

Persons Signed In To Testify But Not Testifying (Energy, Environment & Technology): No one.

Staff Summary of Public Testimony (Ways & Means): PRO: There are two electrolytic processing plants in Washington. Both plants are important companies in terms of creating jobs. This bill extends an existing tax exemption. The exemption was one of the first new generation tax exemptions subject to annual reporting and accountability metrics requirements, which have been retained in this legislation. There has been some confusion as to intended policy objectives; however, this bill revises job growth targets so that they are consistent with current levels across the state and country. The exemption has been a success so far with regard to production and job growth, which has tripled since 2004 when it was first enacted. The exemption applies only to electricity sold for the electrolytic process and does not exempt plants from paying other utilities. The exemption addresses a key competitiveness issue, as no other plant in the country or Canada pays taxes for this portion of utilities.

Persons Testifying (Ways & Means): PRO: Tim Boyd, Axiall Longview & AkzoNobel, Moses Lake.

Persons Signed In To Testify But Not Testifying (Ways & Means): No one.