

SENATE BILL REPORT

SB 6157

As Reported By Senate Committee On:
Economic Development, January 28, 2004
Ways & Means, February 23, 2004

Title: An act relating to exempting from the state public utility tax the sales of electricity to an electrolytic processing business.

Brief Description: Exempting from the state public utility tax the sales of electricity to an electrolytic processing business.

Sponsors: Senators T. Sheldon, Hale, Regala, Mulliken and Winsley.

Brief History:

Committee Activity: Economic Development: 1/21/04, 1/28/04 [DP].
Ways & Means: 2/5/04, 2/23/04 [DPS].

SENATE COMMITTEE ON ECONOMIC DEVELOPMENT

Majority Report: Do pass.

Signed by Senators T. Sheldon, Chair; Zarelli, Vice Chair; Benton, Murray, Schmidt and Shin.

Staff: Rhoda Donkin (786-7198)

SENATE COMMITTEE ON WAYS & MEANS

Majority Report: That Substitute Senate Bill No. 6157 be substituted therefor, and the substitute bill do pass.

Signed by Senators Zarelli, Chair; Hewitt, Vice Chair; Parlette, Vice Chair; Carlson, Doumit, Hale, Honeyford, Johnson, Pflug, Prentice, Regala, Roach, Sheahan, B. Sheldon and Winsley.

Staff: Catherine Suter (786-7442)

Background: Washington collects a Public Utility Tax (PUT) on the gross receipts of retail electricity sales. Electric utilities pay this tax in lieu of a business and occupation tax and typically pass it on directly to their retail customers. Wholesale transactions are exempt from the PUT.

Some industries utilize extremely large amounts of electricity in their production processes, in part because they use electricity in a manner more like an ingredient or raw material than as power solely for lighting and operating machinery and equipment.

Many of the largest industrial users of electricity in Washington, aluminum smelters and pulp and paper mills, utilize electricity in this way. They currently receive their electricity tax free

because they obtain power directly from wholesalers such as the Bonneville Power Administration or other out-of-state entities. Other large industrial customers who use electricity in a similar manner cannot obtain their electricity directly from wholesalers. Two such electricity-intensive industries are the chlor-alkali and sodium chlorate electrolytic processing businesses.

Summary of Substitute Bill: An exemption from the state PUT is provided for sales of electricity to chlor-alkali and sodium chlorate electrolytic processing businesses effective July 1, 2004. This exemption does not include direct service industrial customers of the Bonneville Power Administration.

The exemption is provided to the seller of the electricity so long as three conditions are met: (1) the price that the seller charges these specific electrolytic processing companies is reduced by the same amount as the value of the tax exemption; (2) the electricity used in the electrolytic process is separately metered from the electricity used for general operations; and (3) the electrolytic businesses do not resell or remarket the electricity.

Substitute Bill Compared to Original Bill: The emergency clause is removed.

Appropriation: None.

Fiscal Note: Requested on January 15, 2004.

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

Testimony For (Economic Development): This tax exemption will help smaller electrolytic processing companies stay in business in these times of very high energy costs.

Testimony Against (Economic Development): None.

Testified (Economic Development): PRO: Calvin Green, Eka Chemicals; Bill Stauffacher, Jeff Brown, Pioneer Americas.

Testimony For (Ways & Means): These manufacturers maintain high wage jobs of an average of \$51,000-60,000 annual salary. There are other companies outside Washington and the U.S. that can make the products much more cheaply because only Washington's companies pay business tax on the electricity used as an ingredient, as a raw material. The purpose of this bill is to maintain operations in Moses Lake, allowing the facility to continue until power rates go back down, and bring 85 jobs back to Tacoma to the facility that ran for 75 years and is now idle.

Testimony Against (Ways & Means): None.

Testified (Ways & Means): PRO: Tim Sheldon, prime sponsor, 35th District; Calvin Greene, Eka Chemicals, Inc.; Bill Stauffacher, Pioneer Americas; Alvin Magee, Pioneer Americas; Jeff Brown, Pioneer Americas.