

# FINAL BILL REPORT

## 2SSB 6304

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Synopsis as Enacted

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

**Sponsors:** Senate Committee on Ways & Means (originally sponsored by Senators Brandland, Parlette, Spanel, Morton, Doumit, T. Sheldon and Rasmussen).

**Senate Committee on Economic Development**

**Senate Committee on Ways & Means**

**House Committee on Finance**

**Background:** The aluminum smelting industry in the state has contracted in recent years as a result of declining aluminum prices in the global aluminum commodities market and local increases in the price of electricity, a major cost driver in aluminum prices. In 1998, the industry in the state employed over 5,300 people and had taxable income of \$2.4 billion. In fiscal year 2002, taxable income for the industry was down to \$700 million and only 2,200 persons were employed.

Prior to 1996, the industry received most of its electricity from the Bonneville Power Administration (BPA) at preferential rates. Since 1996, the BPA has reduced the energy allocated to the industry to less than half of the smelter electricity demand, requiring smelters to rely more on the wholesale market. The price of electricity is expected to drop after 2006.

**Summary:** The business and occupation (B&O) tax rates under manufacturing and wholesaling are reduced for aluminum smelters to 0.2904 percent through 2006. Aluminum smelters may take a credit against B&O tax liability for property taxes paid through 2006.

Businesses that sell electricity or natural or manufactured gas to aluminum smelters may receive a credit against tax liability under either the public utility tax (PUT) or the B&O tax, if the price of the electricity or gas is reduced by the tax savings. The B&O tax and PUT credits do not apply to income received from resale of electricity that was originally sold under contract for the purposes of smelting.

Through 2006, aluminum smelters may take a credit against retail sales and use tax liability for the amount of the state portion of sales and use taxes paid on property and labor and services associated with the property. Aluminum smelters are exempt from the brokered natural gas use tax through 2006.

Legislative fiscal committees must report by December 1, of 2005, 2006, and 2010 on incentives in the bill. Smelters must make an annual report if receiving any incentive in the bill. This report must contain detailed employment information and information on the quantity of aluminum smelted. The report information, and the amount of taxes that are due if a report is not filed, must be disclosed to the public upon request.

**Votes on Final Passage:**

Senate 46 1  
House 91 4 (House amended)  
Senate 47 0 (Senate concurred)

**Effective:** July 1, 2004