
SUBSTITUTE HOUSE BILL 2518

State of Washington

58th Legislature

2004 Regular Session

By House Committee on Technology, Telecommunications & Energy
(originally sponsored by Representatives Kirby, Conway, Morris,
Holmquist and Hinkle)

READ FIRST TIME 02/06/04.

1 AN ACT Relating to exempting from the state public utility tax the
2 sales of electricity to an electrolytic processing business; adding a
3 new section to chapter 82.16 RCW; and adding a new section to chapter
4 82.32 RCW.

5 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

6 NEW SECTION. **Sec. 1.** A new section is added to chapter 82.16 RCW
7 to read as follows:

8 (1) For the purposes of this section:

9 (a) "Chlor-alkali electrolytic processing business" means a person
10 who is engaged in a business that uses more than ten average megawatts
11 of electricity per month in a chlor-alkali electrolytic process to
12 split the electrochemical bonds of sodium chloride and water to make
13 chlorine and sodium hydroxide. A "chlor-alkali electrolytic processing
14 business" does not include direct service industrial customers or their
15 subsidiaries that contract for the purchase of power from the
16 Bonneville power administration as of the effective date of this
17 section.

18 (b) "Sodium chlorate electrolytic processing business" means a
19 person who is engaged in a business that uses more than ten average

1 megawatts of electricity per month in a sodium chlorate electrolytic
2 process to split the electrochemical bonds of sodium chloride and water
3 to make sodium chlorate and hydrogen. A "sodium chlorate electrolytic
4 processing business" does not include direct service industrial
5 customers or their subsidiaries that contract for the purchase of power
6 from the Bonneville power administration as of the effective date of
7 this section.

8 (2) Effective July 1, 2004, the tax levied under this chapter does
9 not apply to sales of electricity made by a light and power business to
10 a chlor-alkali electrolytic processing business or a sodium chlorate
11 electrolytic processing business for the electrolytic process if the
12 contract for sale of electricity to the business contains the following
13 terms:

14 (a) The electricity to be used in the electrolytic process is
15 separately metered from the electricity used for general operations of
16 the business;

17 (b) The price charged for the electricity used in the electrolytic
18 process will be reduced by an amount equal to the tax exemption
19 available to the light and power business under this section; and

20 (c) Disallowance of all or part of the exemption under this section
21 is a breach of contract and the damages to be paid by the chlor-alkali
22 electrolytic processing business or the sodium chlorate electrolytic
23 processing business are the amount of the tax exemption disallowed.

24 (3) The exemption provided for in this section does not apply to
25 amounts received from the remarketing or resale of electricity
26 originally obtained by contract for the electrolytic process.

27 (4) In order to claim an exemption under this section, the
28 chlor-alkali electrolytic processing business or the sodium chlorate
29 electrolytic processing business must provide the light and power
30 business with an exemption certificate in a form and manner prescribed
31 by the department.

32 NEW SECTION. **Sec. 2.** A new section is added to chapter 82.32 RCW
33 to read as follows:

34 (1) For the purposes of this section, "electrolytic processing
35 business tax exemption" means the exemption and preferential tax rate
36 under section 1 of this act.

1 (2) The legislature finds that accountability and effectiveness are
2 important aspects of setting tax policy. In order to make policy
3 choices regarding the best use of limited state resources, the
4 legislature needs information to evaluate whether the stated goals of
5 legislation were achieved.

6 (3) The goals of the electrolytic processing business tax exemption
7 are to retain family wage jobs by enabling electrolytic processing
8 businesses to maintain production of chlor-alkali and sodium chlorate
9 at a level that will preserve at least seventy-five percent of the jobs
10 that were on the payroll effective January 1, 2004, as adjusted for
11 employment reductions publicly announced before November 30, 2003.

12 (4)(a) A person who receives the benefit of an electrolytic
13 processing business tax exemption shall make an annual report to the
14 department detailing employment, wages, and employer-provided health
15 and retirement benefits per job at the manufacturing site. The report
16 is due by March 31st following any year in which a tax exemption is
17 claimed or used. The report shall not include names of employees. The
18 report shall detail employment by the total number of full-time,
19 part-time, and temporary positions. The report shall indicate the
20 quantity of product produced at the plant during the time period
21 covered by the report. The first report filed under this subsection
22 shall include employment, wage, and benefit information for the
23 twelve-month period immediately before first use of a tax exemption.
24 Employment reports shall include data for actual levels of employment
25 and identification of the number of jobs affected by any employment
26 reductions that have been publicly announced at the time of the report.
27 Information in a report under this section is not subject to the
28 confidentiality provisions of RCW 82.32.330 and may be disclosed to the
29 public upon request.

30 (b) If a person fails to submit an annual report under (a) of this
31 subsection by the due date of the report, the department shall declare
32 the amount of taxes exempted for that year to be immediately due and
33 payable. Public utility taxes payable under this subsection are
34 subject to interest but not penalties, as provided under this chapter.
35 This information is not subject to the confidentiality provisions of
36 RCW 82.32.330 and may be disclosed to the public upon request.

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