
Finance Committee

HB 2982

Brief Description: Eliminating the manufacturing machinery and equipment exemption for methanol manufactured in part from liquid natural gas or compressed natural gas.

Sponsors: Representatives Jinkins and Fey.

Brief Summary of Bill

- Narrows the manufacturing machinery and equipment (M&E) sales and use tax exemption to exclude M&E used in the production of methanol manufactured in part from liquid natural gas or compressed natural gas.

Hearing Date: 2/24/16

Staff: Sarah McLaughlin Emmans 786-7288

Background:

Sales and Use Tax.

Retail sales taxes are imposed on retail sales of most articles of tangible personal property, digital products, and some services (including construction). A retail sale is a sale to the final consumer or end user of the property, digital product, or service. If retail sales taxes were not collected when the user acquired the property, digital products, or services, then use taxes apply to the value of property, digital product, or service when used in this state. The state, most cities, and all counties levy retail sales and use taxes. The state sales and use tax rate is 6.5 percent; local sales and use tax rates vary from 0.5 percent to 3.1 percent, depending on the location.

Exemption for Machinery and Equipment.

A retail sales and use tax exemption applies to new or replacement machinery and equipment (M&E) used in a manufacturing, testing, or research and development operation by a manufacturer or processor for hire. The exemption also applies to services, such as installation or repair services, rendered with respect to the M&E. The exemption applies to industrial fixtures and devices as well as pollution control equipment that is used in the manufacturing

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.

operation. The exemption does not apply to short-lived tools, hand tools, and consumable supplies.

Methanol Use and Production.

Methanol is a form of alcohol produced from synthesis gas (carbon monoxide and hydrogen), which can be generated from carbon-based feedstocks including natural gas, oil, coal, and biomass. Methanol is commonly used as a component of chemicals used in the production of adhesives, foams, solvents, and other plastics. Methanol can also be used in energy-related applications, in particular transportation fuel or biodiesel.

A business group has announced a proposal to build two natural gas-to-methanol production facilities in Washington: one in Tacoma, and one at the Port of Kalama in Cowlitz County. In May 2014 the Port of Tacoma Commission approved a lease agreement with the business group. Review of both the proposed Tacoma and Kalama facilities under the State Environmental Policy Act (SEPA) has commenced, although the SEPA review has not yet been completed for either facility, and neither facility has received permits to begin operations.

Summary of Bill:

The sales and use tax exemption for M&E used in a manufacturing, testing, or research and development operation by a manufacturer or processor for hire does not apply to the sale of M&E used to produce methanol manufactured in part from liquid natural gas or compressed natural gas.

Appropriation: None.

Fiscal Note: Available.

Effective Date: The bill takes effect 90 days after adjournment of the session in which the bill is passed.