

# HOUSE BILL REPORT

## HB 1254

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**As Reported by House Committee On:**  
Finance

**Title:** An act relating to clarifying ambiguities in statutory provisions administered by the department of revenue relating to periodic adjustments.

**Brief Description:** Clarifying ambiguities in statutory provisions administered by the department of revenue relating to periodic adjustments.

**Sponsors:** Representatives Street, Reed and Ramel; by request of Department of Revenue.

**Brief History:**

**Committee Activity:**

Finance: 1/24/23, 2/21/23 [DPS].

**Brief Summary of Substitute Bill**

- Updates defunct inflationary indices in two places in code and replaces them with comparable and active indices.

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### HOUSE COMMITTEE ON FINANCE

**Majority Report:** The substitute bill be substituted therefor and the substitute bill do pass. Signed by 12 members: Representatives Berg, Chair; Street, Vice Chair; Orcutt, Ranking Minority Member; Jacobsen, Assistant Ranking Minority Member; Barnard, Chopp, Ramel, Santos, Springer, Stokesbary, Walen and Wylie.

**Staff:** Kristina King (786-7190).

**Background:**

Inflation Indices.

A dollar amount in code is often tied to an inflation index in order for the dollar amount to

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reflect inflationary changes over time. There are numerous indices cited in statute. Many of these indices are maintained and updated annually, however, in certain circumstances the indices will no longer be maintained, requiring an update to the affected statutes.

Two indices have been identified as defunct. The governmental price index has not been updated by the Department of Revenue (DOR) since 2012 after the repeal of RCW 82.14.200. The wellhead price index, which oil refineries use to calculate use tax for gas used in operations, was discontinued by the federal Energy Information Administration after December 2012.

#### Consumer Price Index for the Seattle Area.

The consumer price index is a measure of the average change over time in price for a 12-month period for the Seattle, Washington area for all urban consumers, all items except for food and energy, compiled by the United States Department of Labor, Bureau of Labor Statistics.

#### Henry Hub Spot Price.

The Henry Hub spot price is the pricing point for natural gas futures on the New York Mercantile Exchange. Settlement prices at the Henry Hub natural gas pipeline are used as benchmarks for the North American natural gas market. The spot price is published by the federal Energy Information Administration.

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#### **Summary of Substitute Bill:**

The limit on the value of surplus property a port district may sell without a port commission resolution is increased from \$10,000 to \$22,000 to reflect 10 years of inflationary growth. Replacing the governmental price index is the consumer price index for the Seattle area.

The wellhead price is replaced with the Henry Hub spot price.

#### **Substitute Bill Compared to Original Bill:**

The substitute bill:

- replaces the natural gas wellhead price with a three-year average Henry Hub natural gas spot price;
- requires the DOR to calculate and publish the price on its website quarterly;
- requires the DOR to notify the Legislature if the Henry Hub spot price is no longer published; and
- directs that until a replacement valuation standard is enacted, the interim valuation will be the most recent three-year average spot price of natural gas.

**Appropriation:** None.

**Fiscal Note:** Available.

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

**Staff Summary of Public Testimony:**

(In support) This bill is a result of the DOR finding places in code where inflation indices are defunct and dollar values have not kept up with time. The DOR's interest in this is to make sure the statute is operable, everyone is on a level playing field, and everyone is using the same indices and dollar amounts when paying taxes. Washington ports support section one of this bill because this is a simple correction bill that creates a new baseline of \$22,000 with a price escalator for port commissions that delegate their authority to sell property.

(Opposed) Washington businesses oppose section two of the bill. In 2017 the Legislature decided to tax self-produced refinery fuel gas. This gas is a waste product that is repurposed by refineries and has no value. When the Legislature decided to tax refinery fuel, the wellhead price was used, but unknown to anyone else at the time, the Environmental Protection Agency stopped publishing that data five years before the bill passed. This bill assigns the Henry Hub index, which shifts this to a dynamic tax and makes annual revenue collections much more volatile. The other problem is that the Henry Hub price is higher than the wellhead price. If the intent of the Legislature is not to increase tax revenues, the bill must be amended.

**Persons Testifying:** (In support) Representative Chipalo Street, prime sponsor; Steve Ewing, Department of Revenue; and Chris Herman, Washington Public Ports Association.

(Opposed) Greg Hanon, Western States Petroleum Association; and Emily Shay, Association of Washington Business.

**Persons Signed In To Testify But Not Testifying:** None.