

# HOUSE BILL REPORT

## HB 2926

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**As Reported By House Committee On:**  
Technology, Telecommunications & Energy

**Title:** An act relating to coal tax exemptions.

**Brief Description:** Repealing certain coal tax exemptions.

**Sponsors:** Representatives DeBolt, Crouse, Alexander, Thomas, Kessler, Murray, Bush and Wolfe.

**Brief History:**

**Committee Activity:**

Technology, Telecommunications & Energy: 1/28/00 [DP].

### Brief Summary of Bill

- Repeals a tax exemption that required 70 percent of coal consumed by Centralia Coal Plant be mined from Lewis County or a contiguous county.

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### HOUSE COMMITTEE ON TECHNOLOGY, TELECOMMUNICATIONS & ENERGY

**Majority Report:** Do pass. Signed by 13 members: Representatives Crouse, Republican Co-Chair; Poulsen, Democratic Co-Chair; DeBolt, Republican Vice Chair; Ruderman, Democratic Vice Chair; Bush; Cooper; Delvin; Kastama; McDonald; Mielke; Morris; Reardon and Thomas.

**Staff:** Julia Harmatz (786-7135).

**Background:**

TransAlta Corporation is purchasing the 1340 MW coal-fired Centralia power plant.

The Centralia Steam Plant and adjacent coal mine are located in Lewis County approximately five miles northeast of Centralia.

The steam plant is the sole customer of the Centralia Coal Mine, which is operated by the Centralia Mining Company, a wholly owned subsidiary of PacifiCorp.

Together, the steam plant and coal mine employ approximately 670 people.

**Sales Tax:** Sales tax is imposed on retail sales of most items of tangible personal property, and on some services. The state sales tax rate is 6.5 percent and is applied to the selling price of the article or service. In addition, local sales taxes apply. The total tax rate is between 7 percent and 8.6 percent, depending on location. Sales tax is paid by the purchaser and collected by the seller.

**Use Tax:** Use tax is imposed on the use of an item in the state, when the acquisition of the item has not been subject to sales tax. Use tax applies to items purchased from sellers who do not collect sales tax, items acquired from out of state, and items produced by the person using the item. The use tax rate is equal to the sales tax rate. Use tax is paid directly to the Department of Revenue.

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**Summary of Bill:**

This bill repeals two statutes that would cause a facility to forfeit sales and use tax exemptions if less than 70 percent of the coal consumed at the facility the previous calendar year was from a coal mine in Lewis County or a contiguous county.

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**Appropriation:** None.

**Fiscal Note:** Requested on January 24, 2000.

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

**Testimony For:** The tax exemptions served as the incentive for the installation of the emissions scrubbers, as per the 1997 legislation (368 L 97). A recent lawsuit has alleged that the requirement that Centralia use 70 percent of local coal potentially violates the interstate commerce clause of the United States Constitution. There is agreement to uphold the original intent of the 1997 legislation in a separate agreement with the labor union. This bill would help the sale of the plant to TransAlta Corporation. There is wholehearted support for the sale of the plant and thus of this bill. This is important to union membership, and to the Centralia community.

**Testimony Against:** None.

**Testified:** Brian Clewes, TransAlta Corporation; Richard Woolley, PacifiCorp; Larry Archer, International Union of Operating Engineers, Local 612; and Al Aldrich, Snohomish Public Utilities District.