

**E2SHB 2518** - S AMD 828  
By Senator Zarelli

PULLED 3/10/04

1 Strike everything after the enacting clause and insert the  
2 following:

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

5 (1) For the purposes of this section:

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

15 (b) "Sodium chlorate electrolytic processing business" means a  
16 person who is engaged in a business that uses more than ten average  
17 megawatts of electricity per month in a sodium chlorate electrolytic  
18 process to split the electrochemical bonds of sodium chloride and water  
19 to make sodium chlorate and hydrogen. A "sodium chlorate electrolytic  
20 processing business" does not include direct service industrial  
21 customers or their subsidiaries that contract for the purchase of power  
22 from the Bonneville power administration as of the effective date of  
23 this section.

24 (2) Effective July 1, 2004, the tax levied under this chapter does  
25 not apply to sales of electricity made by a light and power business to  
26 a chlor-alkali electrolytic processing business or a sodium chlorate  
27 electrolytic processing business for the electrolytic process if the  
28 contract for sale of electricity to the business contains the following  
29 terms:

30 (a) The electricity to be used in the electrolytic process is  
31 separately metered from the electricity used for general operations of  
32 the business;

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

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

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

11 (4) In order to claim an exemption under this section, the  
12 chlor-alkali electrolytic processing business or the sodium chlorate  
13 electrolytic processing business must provide the light and power  
14 business with an exemption certificate in a form and manner prescribed  
15 by the department.

16 **Sec. 2.** RCW 82.16.020 and 1996 c 150 s 2 are each amended to read  
17 as follows:

18 (1) There is levied and there shall be collected from every person  
19 a tax for the act or privilege of engaging within this state in any one  
20 or more of the businesses herein mentioned. The tax shall be equal to  
21 the gross income of the business, multiplied by the rate set out after  
22 the business, as follows:

23 (a) Express, sewerage collection, and telegraph businesses: Three  
24 and six-tenths percent;

25 (b) Light and power business: Three and sixty-two one-hundredths  
26 percent, except as provided in section 1 of this act;

27 (c) Gas distribution business: Three and six-tenths percent;

28 (d) Urban transportation business: Six-tenths of one percent;

29 (e) Vessels under sixty-five feet in length, except tugboats,  
30 operating upon the waters within the state: Six-tenths of one percent;

31 (f) Motor transportation, railroad, railroad car, and tugboat  
32 businesses, and all public service businesses other than ones mentioned  
33 above: One and eight-tenths of one percent;

34 (g) Water distribution business: Four and seven-tenths percent.

35 (2) An additional tax is imposed equal to the rate specified in RCW  
36 82.02.030 multiplied by the tax payable under subsection (1) of this  
37 section.

1 (3) Twenty percent of the moneys collected under subsection (1) of  
2 this section on water distribution businesses and sixty percent of the  
3 moneys collected under subsection (1) of this section on sewerage  
4 collection businesses shall be deposited in the public works assistance  
5 account created in RCW 43.155.050.

6 NEW SECTION. **Sec. 3.** A new section is added to chapter 82.32 RCW  
7 to read as follows:

8 (1) For the purposes of this section, "electrolytic processing  
9 business tax exemption" means the exemption and preferential tax rate  
10 under section 1 of this act.

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

16 (3) The goals of the electrolytic processing business tax exemption  
17 are:

18 (a) To retain family wage jobs by enabling electrolytic processing  
19 businesses to maintain production of chlor-alkali and sodium chlorate  
20 at a level that will preserve at least seventy-five percent of the jobs  
21 that were on the payroll effective January 1, 2004; and

22 (b) To allow the electrolytic processing industries to continue  
23 production in this state so that the industries will be positioned to  
24 preserve and create new jobs when the anticipated reduction of energy  
25 costs occur.

26 (4)(a) A person who receives the benefit of an electrolytic  
27 processing business tax exemption shall make an annual report to the  
28 department detailing employment, wages, and employer-provided health  
29 and retirement benefits per job at the manufacturing site. The report  
30 is due by March 31st following any year in which a tax exemption is  
31 claimed or used. The report shall not include names of employees. The  
32 report shall detail employment by the total number of full-time,  
33 part-time, and temporary positions. The report shall indicate the  
34 quantity of product produced at the plant during the time period  
35 covered by the report. The first report filed under this subsection  
36 shall include employment, wage, and benefit information for the  
37 twelve-month period immediately before first use of a tax exemption.  
38 Employment reports shall include data for actual levels of employment

1 and identification of the number of jobs affected by any employment  
2 reductions that have been publicly announced at the time of the report.  
3 Information in a report under this section is not subject to the  
4 confidentiality provisions of RCW 82.32.330 and may be disclosed to the  
5 public upon request.

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

13 (5) By December 1, 2006, and by December 1, 2007, the fiscal  
14 committees of the house of representatives and the senate, in  
15 consultation with the department, shall report to the legislature on  
16 the effectiveness of the tax incentive under section 1 of this act.  
17 The report shall measure the effect of the incentive on job retention  
18 for Washington residents, and other factors as the committees select.  
19 The report shall also discuss expected trends or changes to electricity  
20 prices as they affect the industries that benefit from the incentives.

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**EFFECT:** Restores the bill as it was referred from the House,  
including accountability measures, and removes effective date.