

SENATE BILL REPORT

SHB 1508

As Reported By Senate Committee On:
Ways & Means, March 20, 2007

Title: An act relating to an exemption from the business and occupation tax for the resale of natural or manufactured gas by consumers.

Brief Description: Providing an exemption from business and occupation tax for the resale of natural or manufactured gas by consumers.

Sponsors: House Committee on Technology, Energy & Communications (originally sponsored by Representatives Orcutt, Hunter, Blake, Takko, Condotta and Dunn; by request of Department of Revenue).

Brief History: Passed House: 3/10/07, 96-1.

Committee Activity: Ways & Means: 3/20/07 [DP].

SENATE COMMITTEE ON WAYS & MEANS

Majority Report: Do pass.

Signed by Senators Prentice, Chair; Fraser, Vice Chair, Capital Budget Chair; Pridemore, Vice Chair, Operating Budget; Zarelli, Ranking Minority Member; Brandland, Carrell, Hatfield, Hewitt, Hobbs, Honeyford, Keiser, Kohl-Welles, Oemig, Parlette, Rasmussen, Regala, Roach, Rockefeller, Schoesler and Tom.

Staff: Dean Carlson (786-7305)

Background: The business & occupation (B&O) tax is levied for the privilege of doing business in Washington. The tax is levied on the gross receipts of all business activities conducted within the state. There are no deductions for the costs of doing business.

Public and privately-owned utilities are subject to the state public utility tax (PUT). The PUT is applied to the gross receipts of the business. The PUT applies to businesses engaged in operating a plant or system for the production or distribution of natural or manufactured gas.

A business that does not operate a plant or system for the production or distribution of natural or manufactured gas, but engages in the selling of natural gas, is subject to the business and occupation tax.

Summary of Substitute Bill: A B&O tax exemption is provided for amounts received from the sale of natural or manufactured gas in a calendar year if the amount of gas sold within the

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.

U.S. by the business in that calendar year is no more than 20 percent of the amount of natural or manufactured gas that is consumed in the U.S. in the same calendar year.

The transfer of natural gas as a result of an acquisition or merger and the transfer of natural gas solely to comply with federal regulatory requirements imposed on the transportation of natural or manufactured gas over a pipeline are not considered sales.

Appropriation: None.

Fiscal Note: Available.

Committee/Commission/Task Force Created: No.

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

Staff Summary of Public Testimony (on companion SB 5575): PRO: This bill came from discussion with taxpayers. Large natural gas users have to predict how much they are going to use, and sometimes have to sell the excess gas back to the market. The bill recognizes that these are consumers that are not in the businesses of selling natural gas and should not be subject to business and occupation tax. Through discussions with the Department of Revenue we support this bill. We don't want people to purchase more gas than they need to sell gas back as a product. We have a small technical amendment. If this bill is not passed this year, next year it will have a fiscal note.

Persons Testifying: PRO: Gil Brewer, Department of Revenue; Amber Carter, Association of Washington Business.