

SENATE BILL REPORT

SB 5575

As Reported By Senate Committee On:
Ways & Means, February 7, 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: Senators Hobbs, Schoesler, Zarelli and Kilmer; by request of Department of Revenue.

Brief History:

Committee Activity: Ways & Means: 2/06/07, 2/07/07 [DPS].

SENATE COMMITTEE ON WAYS & MEANS

Majority Report: That Substitute Senate Bill No. 5575 be substituted therefor, and the substitute bill do pass.

Signed by Senators Brandland, Fairley, Hatfield, Hewitt, Hobbs, Honeyford, Keiser, Kohl-Welles, Parlette, Rasmussen, Regala, Roach, 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 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 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.

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.

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.

EFFECT OF CHANGES MADE BY RECOMMENDED SUBSTITUTE AS PASSED COMMITTEE (Ways & Means): It is clarified that for purposes of determining whether a person's sales of natural or manufactured gas exceeds 20 percent of the amount of natural or manufactured gas that is consumed, a sale of natural or manufactured gas does not include the pipeline transportation of such gas when it is shipped by a third-party manager of that person's pipeline transportation and is accomplished solely to comply with federal regulatory requirements.

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: 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.