
Finance Committee

HB 2465

Brief Description: Narrowing the extracted fuel tax exemption to provide funding for the education legacy trust account.

Sponsors: Representatives Carlyle, Hunter, Van De Wege, Farrell, Fitzgibbon, Tarleton, Pettigrew, Pollet, Sullivan, Wylie, Hudgins, Senn, Roberts, Ryu, Tharinger, Robinson, Jinkins, Sells, Stanford, Takko, Bergquist, Goodman, Gregerson, Morrell, Cody, S. Hunt, Kagi and Ormsby.

Brief Summary of Bill

- Narrows the application of the extracted fuel use tax exemption to the use of biomass fuel.
- Dedicates refinery fuel gas use tax revenue to the education legacy trust account.

Hearing Date: 2/6/14

Staff: Richelle Geiger (786-7175).

Background:

Retail sales taxes are imposed on retail sales on most articles of tangible personal property, digital products, and some services. A retail sale is a sale to a final consumer or end user of the property, digital product, or service. If retail sales taxes were not collected when the user acquired the property, digital products, and services, then use taxes applied to the value of property, digital product, or service when used in the state. The state, most cities and all counties levy retail sales and use taxes. The state sales and use tax rate is 6.5 percent; local sales and use tax rates vary from 0.5 percent to 3.1 percent, depending on the location.

Under current law, fuel consumed by a manufacturer or extractor is exempt from use tax when the fuel is used in the process of manufacturing or extracting at the same plant. The exemption generally applies to refinery and biomass fuels. Biomass fuel is wood waste and other wood

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residuals, including forest derived biomass, partially organic by-products of pulp, paper, and wood manufacturing processes, but does not include firewood or wood pellets.

Summary of Bill:

The use tax exemption for fuel produced and consumed by an extractor or manufacturer is limited to the use of biomass fuel.

The value of the refinery fuel gas will be set equal to the most recent monthly United States wellhead price published by the United States Energy Information Administration. Tax revenue from the use of refinery fuel gas must be deposited in the education legacy trust account.

Appropriation: None.

Fiscal Note: Available.

Effective Date: The bill takes effect on July 1, 2014.