

# SENATE BILL REPORT

## SB 5332

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As Reported by Senate Committee On:  
Energy, Environment & Telecommunications, February 2, 2017

**Title:** An act relating to extending the expiration date of the public utility tax exemption for certain electrolytic processing businesses.

**Brief Description:** Extending the expiration date of the public utility tax exemption for certain electrolytic processing businesses.

**Sponsors:** Senators Warnick, Takko and Sheldon.

**Brief History:**

**Committee Activity:** Energy, Environment & Telecommunications: 2/02/17, 2/02/17 [DP-WM, w/oRec].

**Brief Summary of Bill**

- Extends the electrolytic processing tax exemption by ten years.
- Exempts public utilities from paying the public utility tax on electricity sales to businesses that create chemical products from electricity, such as paper and plastics.

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### SENATE COMMITTEE ON ENERGY, ENVIRONMENT & TELECOMMUNICATIONS

**Majority Report:** Do pass and be referred to Committee on Ways & Means.  
Signed by Senators Ericksen, Chair; Brown, Hobbs, Honeyford and Short.

**Minority Report:** That it be referred without recommendation.  
Signed by Senators Carlyle, Ranking Minority Member; Ranker and Wellman.

**Staff:** Kelsey Morfitt (786-7407)

**Background:** The public utility tax (PUT) is a tax on public service businesses, including businesses that engage in transportation, communications, and the supply of electricity, natural gas, and water. PUT is paid on gross income derived from operation of public and privately owned utilities in lieu of the business and occupation tax. In general, PUT does not permit deductions for the costs of doing business.

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*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.*

In 2004, the Legislature enacted a PUT exemption for utility electricity sales to a chlor-alkali and a sodium chlorate chemical business to allow these chemical businesses to maintain production of chlor-alkali and sodium chlorate at a level that preserves at least 75 percent of the jobs that were on the payroll effective January 1, 2004. The Legislature extended the PUT exemption in 2009.

In order to qualify for the PUT exemption, the sales contract between the utility and chlor-alkali and a sodium chlorate chemical business must meet the following conditions: (1) the electricity used in the chemical processing is separately metered from the electricity used in the general operation of business; and (2) the price of the electricity used in the processing of the chemicals and charged to the chemical business, is reduced by the amount of the tax exemption received by the selling utility. If the electricity originally obtained by the utility to meet the contracted amount required by the chemical business for use in the processing of the chemicals is resold by the utility, the income from the resale of that electricity is not exempt from the PUT.

Businesses that claim the PUT exemption must report annually to the Department of Revenue. The PUT exemption expires December 31, 2018.

**Summary of Bill:** The tax exemption for chlor-alkali and sodium chlorate electrolytic processing businesses is extended ten years. The tax exemption expires December 31, 2028.

**Appropriation:** None.

**Fiscal Note:** Available.

**Creates Committee/Commission/Task Force that includes Legislative members:** No.

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

**Staff Summary of Public Testimony:** PRO: Annual reporting requirements show that this tax exemption: maintains and creates family-wage jobs; maintains industry competitiveness; and keeps these businesses cost competitive. Electricity is a raw material used in electrolytic processing and forms the basis for the tax exemption.

**Persons Testifying:** PRO: Tim Boyd, AkzoNobel, Axiall; Pat Ealy, AkzoNobel; Tim Root, Axiall.

**Persons Signed In To Testify But Not Testifying:** No one.