FINAL BILL REPORT
SB 6007

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Synopsis as Enacted

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

Sponsors: Senators Takko, Sheldon, Van De Wege and Warnick.

Senate Committee on Energy, Environment & Technology
Senate Committee on Ways & Means
House Committee on Finance

Background: Public Utility Tax (PUT). The PUT is a tax on public service businesses, including businesses that engage in transportation, communications, and the supply of energy, natural gas, and water. Income from the utility operations is taxed under the PUT in lieu of the business and occupation tax.

PUT Exemption. In 2004, the Legislature enacted a PUT exemption for sales of electricity made by a utility to chlor-alkali or sodium chlorate electrolytic processors (exemption) in order to achieve the following goals:
- retain family-wage jobs in the electrolytic processing industry; and
- allow electrolytic processors to continue electrolytic production in Washington so that the industries remain competitive and positioned to preserve and create new jobs.

In order to qualify for the exemption, the sales contract between a utility and a chlor-alkali or a sodium chlorate electrolytic processor must meet certain conditions.

Under current law, the exemption does not apply to sales of electricity made after December 31, 2018. The exemption expires on June 30, 2019.

Joint Legislative Audit and Review Committee (JLARC). JLARC conducts performance audits, program evaluations, sunset reviews, and other analyses at the direction of the Legislature and JLARC on its own.

Summary: JLARC Review. In order to measure the effectiveness of the exemption, JLARC must review data regarding:
- the impact of the exemption on electricity costs;
- whether electrolytic processors in Washington receive tax treatment similar to the treatment of competing firms in other states; and

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- the number of family-wage jobs in electrolytic processing in Washington.

JLARC may refer to data provided to the Department of Revenue and the Employment Security Department during the review process.

The Legislature intends to extend the expiration date of the exemption if the JLARC review finds that:
- electricity costs are reduced and that Washington electrolytic processors receive similar tax treatment as those provided in other states; or
- the number of family-wage jobs has been preserved.

However, JLARC must provide recommendations on how to improve the exemption if the review finds that:
- electricity costs have not been reduced or that similar tax treatment as provided in other states has not been maintained; or
- the number of family-wage jobs has not been maintained.

Expiration Dates Extension. The date after which the exemption does not apply to sales of electricity made is extended to December 31, 2028. The exemption expiration date is extended to July 1, 2029.

Definitions. Family-wage jobs means jobs paying a wage equal to at least the average manufacturing wage in the county in which the jobs are located.

Votes on Final Passage:

Senate	49	0
House	94	3

Effective: June 7, 2018