

# SENATE BILL REPORT

## SHB 1254

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As Passed Senate, April 5, 2023

**Title:** An act relating to clarifying ambiguities in statutory provisions administered by the department of revenue relating to periodic adjustments.

**Brief Description:** Clarifying ambiguities in statutory provisions administered by the department of revenue relating to periodic adjustments.

**Sponsors:** House Committee on Finance (originally sponsored by Representatives Street, Reed and Ramel; by request of Department of Revenue).

**Brief History:** Passed House: 3/1/23, 96-0.

**Committee Activity:** Ways & Means: 3/13/23 [DP].

**Floor Activity:** Passed Senate: 4/5/23, 48-0.

### Brief Summary of Bill

- Updates and clarifies how the Department of Revenue annually adjusts certain statutory values and tax rates.

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### SENATE COMMITTEE ON WAYS & MEANS

**Majority Report:** Do pass.

Signed by Senators Rolfes, Chair; Robinson, Vice Chair, Operating & Revenue; Mullet, Vice Chair, Capital; Wilson, L., Ranking Member, Operating; Gildon, Assistant Ranking Member, Operating; Schoesler, Ranking Member, Capital; Rivers, Assistant Ranking Member, Capital; Warnick, Assistant Ranking Member, Capital; Billig, Boehnke, Braun, Conway, Dhingra, Hasegawa, Hunt, Keiser, Muzzall, Nguyen, Pedersen, Saldaña, Torres, Van De Wege, Wagoner and Wellman.

**Staff:** Alia Kennedy (786-7405)

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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 part of the legislation nor does it constitute a statement of legislative intent.*

**Background:** Port District Surplus Property Sales. Port districts may, by resolution, sell certain port district property of \$10,000 or less in value. The value limit of \$10,000 must be adjusted annually by the governmental price index established in statute and calculated by the Department of Revenue (DOR). The statute establishing the governmental price index was repealed in 2012. As a result, DOR no longer calculates a governmental price index and has determined that DOR no longer has the legal authority to update the value limit applicable to the sale of surplus port property by the port commission.

Consumer Price Index for the Seattle Area. The consumer price index is a measure of the average change over time in price for a 12 month period for the Seattle, Washington area for all urban consumers, all items except for food and energy, compiled by the United States Department of Labor, Bureau of Labor Statistics.

Use Tax on Self-Produced Fuel. Self-produced fuel is subject to use tax. Refinery fuel gas is valued for use tax purposes based on the most recent monthly United States natural gas wellhead spot price, published by the federal Energy Information Administration (EIA). The EIA no longer publishes a natural gas wellhead spot price. The information was last published in December 2012.

Henry Hub Spot Price. The Henry Hub spot price is the pricing point for natural gas futures on the New York Mercantile Exchange. Settlement prices at the Henry Hub natural gas pipeline are used as benchmarks for the North American natural gas market. The spot price is published by the EIA.

Hazardous Substance Tax. The hazardous substance tax (HST) rate on non-petroleum hazardous substances is 0.7 percent of the wholesale value of the substance. Beginning July 1, 2019, the HST rate for petroleum products was set at \$1.09 per barrel. Beginning July 1, 2020, and every July 1st thereafter, the per-barrel tax rate of \$1.09 increases by a percentage that equals the implicit price deflator for nonresidential structures, published by the United States Department of Commerce, Bureau of Economic Analysis.

**Summary of Bill:** Port District Surplus Property Sales. The value limit on property for which a port district may sell is changed from \$10,000 to \$22,000 or less. Beginning in December 2024, DOR must annually adjust the value limit based on the consumer price index, rounded to the nearest \$10.

Use Tax on Self-Produced Fuel. The data source used to calculate the value of refinery fuel gas for use tax purposes is changed to the three-year average spot price of natural gas, as calculated by DOR. The "three-year average spot price of natural gas" means the average of the 36 most recent monthly Henry Hub natural gas spot prices, as published by the EIA. DOR must calculate and publish the three-year average spot price of natural gas on its website on a quarterly basis.

Hazardous Substance Tax. The HST rate adjustments are cumulative and permanent.

**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:** No public hearing was held.

**Persons Testifying:** N/A

**Persons Signed In To Testify But Not Testifying:** N/A