



# Special Notice

WASHINGTON STATE DEPARTMENT OF REVENUE

OCT. 26, 2017

## Silicon smelters tax relief

If you sell manufactured gas, natural gas, or electricity to a silicon smelter, you may be eligible for a public utility tax (PUT) credit or a business and occupation (B&O) tax credit.

In addition, silicon smelters who purchase these gases may claim an exemption from the brokered natural gas use tax. This is effective January 1, 2018.

[\(Substitute Senate Bill \(SSB\) 5977 \(Part VII, Chapter 37, Laws of 2017 3rd sp. Sess\)\)](#)

## Sellers are eligible for a PUT or B&O tax credit

The seller is eligible for a PUT or B&O tax credit on electricity or gas sales to the silicon smelter. The credit is equal to the gross income from the sale, multiplied by the tax rate in effect at the time of the sale.

This credit does not apply to tax due on remarketing or reselling activities.

## Use tax exemption for the silicon smelter

The silicon smelter is eligible for a use tax exemption for the use of natural or manufactured gas delivered through a pipeline.

## Requirements

Businesses that sell natural or manufactured gas, or electricity must:

- Specify on the contract for sale the price charged for the electricity or gas sold; and
- File a quarterly report that includes
  - volume of gas delivered
  - consumer's name
  - other information

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Silicon smelters that claim the use tax exemption must satisfy the following to qualify for the credit:

- File an annual tax performance report by May 31 of the following year in which they took the exemption.
- Meet the following requirements:
  - Average number of employment positions at the smelter must be 100 for previous two years;  
*and*
  - Average annual wage for all employment positions is equal to or less than the average annual wage for the county in which the silicon smelter operates.

If the smelter claiming the credit does not meet these requirements, they must repay an amount equal to the entire economic benefit that accrued for the previous two calendar years.

Smelters will immediately owe these amounts, including interest. Penalties will not apply. Smelters may no longer continue to benefit from the tax preference if they do not meet these requirements.

This tax preference expires on July 1, 2027. If smelters do not meet the employment requirements, the tax preference will expire on January 1, 2024.

## Definitions

**“Silicon smelter”** means a manufacturing facility that processes silica into solar grade silicon.

**“Solar grade silicon”** means high-purity silicon used exclusively in components of solar energy systems using photovoltaic modules to capture direct sunlight. “Solar grade silicon” does not include silicon used in semiconductors.

## Questions?

If you have questions about this credit and exemption, call 1-800-647-7706.

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