Chapter 3
Brokered Natural Gas

82.12.022(3) - Natural and manufactured gas not delivered by pipeline

Description

Natural or manufactured gas delivered to customers by other means than through a pipeline is not subject to brokered natural gas use tax.

Purpose

This statute was enacted to clarify the application of this tax.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

Currently, natural gas is only delivered via pipeline.

Data Sources

Department of Revenue excise tax data

Additional Information

Additional Information	
Category:	Tax Base
Year Enacted:	1994
Primary Beneficiaries:	Customers that receive natural gas via other means
Taxpayer Count:	0
Program Inconsistency:	None evident
JLARC Review:	JLARC completed an expedited report in 2016

82.12.022(4) - Natural gas subject to public utility tax

Description

Gas is not subject to the brokered natural gas use tax if the seller previously paid public utility tax with respect to the same gas.

Purpose

This exemption eliminates double taxation of the same fuel. Gas purchased via brokers is generally not subject to public utility tax, and is the reason that the brokered natural gas tax is in place.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$21.461	$21.843	$22.283	$22.727
Local Taxes	$8.793	$8.950	$9.130	$9.312

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$20.023	$22.283	$22.727
Local Taxes	$0.000	$8.204	$9.130	$9.312

Assumptions

July 1, 2020, effective date, with 11 months of collections in Fiscal Year 2021.

Data Sources

Department of Revenue excise tax return data

Additional Information

Additional Information	
Category:	Tax Base
Year Enacted:	1989
Primary Beneficiaries:	Purchasers of gas via brokers
Taxpayer Count:	317
Program Inconsistency:	None evident
JLARC Review:	JLARC completed an expedited report in 2017

82.12.022(5) - Aluminum smelter purchases of natural gas

Description

Brokered natural gas use tax does not apply to the use of natural or manufactured gas by an aluminum smelter. This exemption expires on January 1, 2027.

Purpose

To support the aluminum industry.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	D	D	D	D
Local Taxes	D	D	D	D

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	D	D	D
Local Taxes	$0.000	D	D	D

Assumptions

Fewer than three taxpayers benefit from this exemption, so revenue impact may not be disclosed.

Data Sources

Information from the latest JLARC study

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2004
Primary Beneficiaries:	Aluminum smelters
Taxpayer Count:	Fewer than three taxpayers
Program Inconsistency:	None evident
JLARC Review:	JLARC completed a full review in 2015

82.12.022(7) - Silicon smelter use of natural or manufactured gas

Description

Brokered natural gas use tax does not apply to the use of natural or manufactured gas by silicon smelter.

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

Purpose

To promote the manufacturing of silicon for use in production of photovoltaic cells for solar energy systems.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

No taxpayers are currently taking this credit.

Data Sources

Department of Revenue excise tax return data

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2017
Primary Beneficiaries:	Silicon smelter facilities
Taxpayer Count:	0
Program Inconsistency:	None evident
JLARC Review:	Not reviewed by JLARC

82.12.022(8) - Taxes paid in other states for natural gas

Description

There is a credit against the natural gas use tax equal to any tax paid by:
- The seller, if the tax paid by the seller to another state is similar to Washington's public utility tax; or
- The consumer, if the tax paid by the consumer to another state is similar to Washington's natural gas use tax.

Purpose

To eliminate double taxation of the same fuel.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- Based on Department data, no taxpayers are currently taking this credit.
- No taxpayers will take the credit during the next four years.

Data Sources

Department of Revenue excise tax return data

Additional Information

Additional Information	
Category:	Interstate Commerce
Year Enacted:	1989
Primary Beneficiaries:	Purchasers of gas via brokers with gas delivered from other states
Taxpayer Count:	0
Program Inconsistency:	None evident
JLARC Review:	Not reviewed by JLARC

82.12.024 - Deferral for direct service industries (DSIs)

Description

This statute allows a deferral of brokered natural gas tax for a direct service industry firm (DSI's) that constructs a new power plant. DSIs are firms that purchase power directly from the Bonneville Power Administration. The amount of deferred brokered natural gas use tax is not repaid if the firm continues production and their employment levels do not drop below base period levels.

Purpose

To encourage direct service industry firms to continue manufacturing in Washington after existing power contracts with Bonneville Power Administration expire by building their own natural gas powered electric generating facilities.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- Based on Department data, no taxpayers are currently taking this deferral.
- No taxpayers will take the deferral during the next four years.

Data Sources

Department of Revenue excise tax return data

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2001
Primary Beneficiaries:	Direct service industry firms constructing new power plants
Taxpayer Count:	0
Program Inconsistency:	None evident
JLARC Review:	JLARC completed an expedited report in 2015