

# SENATE BILL REPORT

## SB 5382

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As of April 1, 2015

**Title:** An act relating to continuing tax preferences for aluminum smelters.

**Brief Description:** Continuing tax preferences for aluminum smelters.

**Sponsors:** Senators Parlette, Ericksen, Hatfield, Braun, Honeyford and Benton.

**Brief History:**

**Committee Activity:** Ways & Means: 2/02/15.

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### SENATE COMMITTEE ON WAYS & MEANS

**Staff:** Juliana Roe (786-7438)

**Background:** In 2004 the legislature passed a package of tax preferences for the aluminum industry that were scheduled to expire on January 1, 2007. The tax preferences for the aluminum industry include the following:

- a reduced business and occupation (B&O) rate from 0.484 percent to 0.2904 percent for manufacturers of aluminum;
- a B&O tax credit for the amount of property taxes paid on an aluminum smelter;
- a sales and use tax credit against the state portion of the tax for personal property, construction materials, and labor and services performed on buildings and property at an aluminum smelter; and
- an exemption from the brokered natural gas use tax on gas delivered through a pipeline.

In 2006 the Legislature extended the tax preferences to 2012, and again in 2010 the Legislature extended the tax preferences to 2017.

The Citizen Commission for Performance Measurement of Tax Preferences (Commission) was established by the Legislature in 2006. The Commission develops a schedule to review nearly all tax preferences at least once every ten years. The Commission also schedules tax preferences with expiration dates to be reviewed two years before the tax preference expires.

Tax preference reviews are conducted by the Joint Legislative Audit and Review Committee (JLARC) according to the schedule established by the Commission. The aluminum tax incentives were reviewed in 2009. JLARC recommended that the Legislature extend the

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expiration date for these tax preferences – which it did – because the public policy goal of preserving family wage jobs is being maintained, and because the high energy prices that brought about the tax preferences were higher and more volatile than when the tax preferences were originally enacted.

The Commission endorsed the recommendation to extend the expiration dates and further recommended that the Legislature consider establishing a final expiration date.

JLARC is scheduled to review the aluminum industry tax preferences in 2015.

**Summary of Bill:** The aluminum industry tax preferences that are set to expire in 2017 are extended for ten years to 2027.

A tax preference statement is included that directs JLARC to measure the effectiveness of the exemption in preserving employment positions within the industry by evaluating the change in the number of aluminum industry employment positions in Washington State.

**Appropriation:** None.

**Fiscal Note:** Available.

**Committee/Commission/Task Force Created:** No.

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

**Staff Summary of Public Testimony:** PRO: The aluminum industry continues to struggle from a slow recovery from the recession. What started as a negative impact due to high energy prices has now changed to a negative impact due to plummeting aluminum prices. In 1997 there were ten aluminum plants and 10,000 related jobs. Now there are only two plants in the state. So as to help the aluminum industry get back on its feet, we should extend the tax preferences for ten years.

Thirty percent of the aluminum that is produced stays in the Pacific Northwest. Washington State aluminum is produced with clean energy and hydropower.

The aluminum plants have made a large impact on the community. They contribute to local and state taxes, employ many with family wage jobs, make significant charitable contributions in the community, and have public-private partnerships with local high schools.

This bill would help retain jobs and allow the aluminum industry to survive and operate without the need for the tax preferences once aluminum prices even out.

**Persons Testifying:** PRO: Senator Parlette, prime sponsor; Ryan Spiller; Jens Lee, Alcoa Wenatchee Works; Kelley Woodard, President, Aluminum Workers Union; Jim Richardson, President, Wenatchee Valley College; Shiloh Schauer, Executive Director, Wenatchee Valley Chamber of Commerce.