



# Brokered Natural Gas



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

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

**Purpose** To clarify how this tax is applied.

**Taxpayer savings**

*(\$ in millions):*

	FY 2016	FY 2017	FY 2018	FY 2019
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 2016	FY 2017	FY 2018	FY 2019
State Taxes	\$0.000	\$0.000	\$0.000	\$0.000
Local Taxes	\$0.000	\$0.000	\$0.000	\$0.000

**Assumptions**

- There is no impact from this exemption because natural gas delivery occurs via pipeline only.
- There is no expected change in delivery method.

**Data Sources**

Washington State Department of Revenue staff

**Additional Information**

Additional Information	
<b>Category:</b>	Tax base
<b>Year Enacted:</b>	1994
<b>Primary Beneficiaries:</b>	Customers that receive natural gas via other means
<b>Taxpayer Count:</b>	0
<b>Program Inconsistency:</b>	None evident
<b>JLARC Review:</b>	JLARC has scheduled to review 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 2016	FY 2017	FY 2018	FY 2019
State Taxes	\$32.988	\$33.920	\$34.940	\$36.063
Local Taxes	\$9.223	\$9.484	\$9.769	\$10.083

**Repeal of exemption**

Repealing this exemption would increase revenues.

**Potential revenue gains from full repeal**

*(\$ in millions):*

	FY 2016	FY 2017	FY 2018	FY 2019
State Taxes	\$0.000	\$31.094	\$34.940	\$36.063
Local Taxes	\$0.000	\$8.694	\$9.769	\$10.083

**Assumptions**

July 1, 2016 effective date, with 11 months of collections in Fiscal Year 2017

**Data Sources**

Department of Revenue excise tax return data

**Additional Information**

Additional Information	
<b>Category:</b>	Tax base
<b>Year Enacted:</b>	1989
<b>Primary Beneficiaries:</b>	Purchasers of gas via brokers
<b>Taxpayer Count:</b>	2,395
<b>Program Inconsistency:</b>	None evident
<b>JLARC Review:</b>	JLARC completed an expedited review in 2014

## 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 2016	FY 2017	FY 2018	FY 2019
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 2016	FY 2017	FY 2018	FY 2019
State Taxes	\$0.000	D	D	D
Local Taxes	\$0.000	D	D	D

**Assumptions**

- The revenue impact is not disclosable because fewer than three taxpayers benefit from this exemption.
- No revenue impact beginning in Fiscal Year 2028 and after.

**Data Sources** Information from the latest JLARC study

**Additional Information**

Additional Information	
<b>Category:</b>	Business
<b>Year Enacted:</b>	2004
<b>Primary Beneficiaries:</b>	Aluminum smelters
<b>Taxpayer Count:</b>	Fewer than three taxpayers
<b>Program Inconsistency:</b>	None evident
<b>JLARC Review:</b>	JLARC completed a full review in 2009

## 82.12.022(6) - 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 (i) the seller, if the tax paid by the seller to another state is similar to Washington's public utility tax or (ii) 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 2016	FY 2017	FY 2018	FY 2019
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 2016	FY 2017	FY 2018	FY 2019
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	
<b>Category:</b>	Interstate Commerce
<b>Year Enacted:</b>	1989
<b>Primary Beneficiaries:</b>	Purchasers of gas via brokers who have the gas delivered from other states
<b>Taxpayer Count:</b>	0
<b>Program Inconsistency:</b>	None evident
<b>JLARC Review:</b>	Excluded from JLARC review

## 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 (DSI) business that constructs a new power plant. DSIs are businesses that purchase power directly from the Bonneville Power Administration. The amount of deferred brokered natural gas use tax is not due if the business continues production and their employment levels do not drop below base period levels.

**Purpose** To encourage direct service industry businesses 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 2016	FY 2017	FY 2018	FY 2019
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 2016	FY 2017	FY 2018	FY 2019
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	
<b>Category:</b>	Business
<b>Year Enacted:</b>	2001
<b>Primary Beneficiaries:</b>	Direct service industry businesses that constructs a new power plant
<b>Taxpayer Count:</b>	0
<b>Program Inconsistency:</b>	None evident
<b>JLARC Review:</b>	JLARC completed an expedited review in 2015