

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 means other than through a pipeline is not subject to a brokered natural gas use tax.

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

Taxpayer savings (\$ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
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 not increase revenues.

Potential revenue gains from full repeal (\$ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
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 who receive natural gas via other means
Taxpayer Count:	0
Program Inconsistency:	None evident
JLARC Review:	Expedited review completed in 2017

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 for 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, which is why the brokered natural gas tax is in place.

Taxpayer savings

(\$ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	\$74.056	\$76.062	\$79.811	\$85.208
Local Taxes	\$89.608	\$92.035	\$96.571	\$103.101

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

(\$ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	\$0.000	\$69.724	\$79.811	\$85.208
Local Taxes	\$0.000	\$84.365	\$96.571	\$103.101

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the public utility tax growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.

Data Sources

- Department of Revenue, Excise tax data
- Economic and Revenue Forecast Council, March 2023 forecast

Additional Information

Additional Information	
Category:	Tax base
Year Enacted:	1989
Primary Beneficiaries:	Purchasers of gas via gas distribution companies that paid PU tax
Taxpayer Count:	Unknown
Program Inconsistency:	None evident
JLARC Review:	Expedited review completed in 2017

82.12.022(5) - Aluminum smelter purchases of natural gas

Description Natural or manufactured gas an aluminum smelter uses is not subject to the brokered natural gas use tax.

Purpose To support the aluminum industry.

Taxpayer savings

(\$ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
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 not increase revenue because currently no taxpayers use it.

Potential revenue gains from full repeal

(\$ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	\$0.000	\$0.000	\$0.000	\$0.000
Local Taxes	\$0.000	\$0.000	\$0.000	\$0.000

Assumptions

No taxpayers currently use this exemption. We expect no usage during the forecasted period of this study.

Data Sources

Department of Revenue, Annual tax performance report data

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2004
Primary Beneficiaries:	Aluminum smelters
Taxpayer Count:	0
Program Inconsistency:	None evident
JLARC Review:	Full review completed in 2015

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

Description Brokered natural gas use tax does not apply to using natural or manufactured gas by silicon smelters.

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.

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

Taxpayer savings (\$ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
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 not increase revenues. There are no silicon smelter facilities in Washington, nor are there any permits for facility projects.

Potential revenue gains from full repeal

(\$ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	\$0.000	\$0.000	\$0.000	\$0.000
Local Taxes	\$0.000	\$0.000	\$0.000	\$0.000

Assumptions No taxpayers currently use this exemption. We expect no usage during the forecasted period of this study.

Data Sources Department of Revenue, Excise tax data

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2017
Primary Beneficiaries:	Silicon smelter facilities
Taxpayer Count:	0
Program Inconsistency:	None evident
JLARC Review:	Full review scheduled in 2025

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 either:

- The seller if the tax paid by the seller to another state is like Washington's public utility tax.
- The consumer if the tax paid by the consumer to another state is like Washington's natural gas use tax.

Purpose To eliminate double taxation of the same fuel.

Taxpayer savings (\$ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
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 credit would not increase revenue because currently no taxpayers use it.

Potential revenue gains from full repeal (\$ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	\$0.000	\$0.000	\$0.000	\$0.000
Local Taxes	\$0.000	\$0.000	\$0.000	\$0.000

Assumptions No taxpayers currently use this credit. We expect no usage during the forecasted period of this study.

Data Sources Department of Revenue, Excise tax data

Additional Information

Additional Information	
Category:	Interstate Commerce
Year Enacted:	1989
Primary Beneficiaries:	Purchasers of gas via brokers who have the gas delivered from other states
Taxpayer Count:	0
Program Inconsistency:	None evident
JLARC Review:	No review completed

82.12.024 - Deferral for direct service industries (DSIs)

Description This statute allows a deferral of the tax on brokered natural and manufactured gas for direct service industrial customers (DSIs) that construct a new gas turbine power plant. DSIs are large industrial manufacturers that purchase power directly from the Bonneville Power Administration (BPA). This deferral does not require the amount of this tax to be repaid if the DSI continues generating electricity from the gas turbine for a minimum of five calendar years and the DSI's average employment levels have not dropped below the six-year average level.

Purpose To encourage DSIs to build their own gas-powered electric generating facilities to avoid having to curtail production in the event of electricity supply issues stemming from the BPA.

Taxpayer savings

(\$ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
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 deferral would not increase revenue because currently no taxpayers use it.

Potential revenue gains from full repeal

(\$ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	\$0.000	\$0.000	\$0.000	\$0.000
Local Taxes	\$0.000	\$0.000	\$0.000	\$0.000

Assumptions

No taxpayers currently use this deferral. We expect no usage during the forecasted period of this study.

Data Sources

Department of Revenue, Excise tax data

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2001
Primary Beneficiaries:	Direct service industry businesses constructing a new power plant
Taxpayer Count:	0
Program Inconsistency:	None evident
JLARC Review:	Expedited review completed in 2021