2025 tax preference review:

Energy Sales to Silicon Smelters

PRELIMINARY REPORT | JULY 2025

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Legislative Auditor's conclusion

Businesses are unlikely to use three tax exemptions intended to promote a silicon smelting facility.

Key points

- Three preferences give tax exemptions for natural gas or electricity sold to or used by a silicon smelter.
- The preferences were intended to promote the development of a silicon smelting facility in northeastern Washington.
- The business built the smelting facility in Tennessee instead of Washington.
- No business has claimed the preferences. There are no silicon smelters operating in Washington, and there are no active permits to develop one.

About this preference

Estimated savings: $0 | **Tax type:** Multiple taxes | **Expiration date:** July 2027

Report details

The 2017 Legislature enacted three tax preferences intended to promote the development of a silicon smelting facility in northeastern Washington.

The Legislature stated that the preferences are intended to:

- Promote the manufacturing of silicon for use in production of photovoltaic cells for solar energy systems.
- Reduce the cost of energy in the smelting process.
- Stimulate economic growth and job creation in Washington's rural counties.

Silicon smelting
Heating sand and carbon to extract high-purity silicon.

Three preferences exempt natural gas or electricity sold to or used by a silicon smelter

The three preferences exempt natural gas or electricity sold to or used by a silicon smelter that manufactures solar-grade silicon. The first two preferences would directly benefit businesses that sell power, but they must pass all savings on to the smelter. The third preference benefits the smelter directly.

1. An exemption from the business and occupation (B&O) tax on sales of electricity or natural gas made to a silicon smelter.
2. An exemption from the public utility tax (PUT) on sales of electricity or natural gas made to a silicon smelter.
3. A use tax exemption on purchases of brokered natural gas by a silicon smelter.

Figure 1: 2017 Legislature enacted three tax preferences

Preference Type	Preference	Direct Beneficiaries
B&O tax exemption	Silicon smelter electricity or natural gas purchases	RCW 82.04.545	Power sellers
PUT exemption	Silicon smelter electricity or natural gas purchases	RCW 82.16.315	Power sellers
Brokered natural gas use tax exemption	Silicon smelter purchases of brokered natural gas	RCW 82.12.022(7)	Silicon smelters

Source: Joint Legislative Audit and Review Committee (JLARC) staff analysis.

Legislature enacted preferences in response to a proposed silicon smelting facility

In 2016, HiTest Sand proposed a $300 million silicon smelting facility in Pend Oreille County. The Department of Commerce designated the project as one of "statewide significance." Such projects must meet specific statutory criteria. In its designation, the Department of Commerce mentioned two criteria that applied to the smelter:

- A private industrial development in manufacturing or research and development.
- A project that provides a net environmental benefit.

HiTest Sand testified to the Legislature that energy costs were the primary factor in siting the facility. Projected energy costs for the facility were around $30 million per year.

The 2017 Legislature passed the preferences, aiming to reduce energy costs for the facility.

No business has claimed the preferences

No business has claimed the three tax preferences. In December 2021, HiTest Sand—now operating as Sinova Global—selected a site in Tennessee for the silicon smelter project. Construction began in October 2022.

There are no silicon smelters operating in Washington, and there are no active permits to develop one.

Preferences will expire in 2027

RCW 82.32.537 requires an eligible silicon smelter to repay the total exemption amount unless it meets specific wage and employment requirements. The Legislature directed the Department of Revenue (DOR) to determine whether the smelter met the requirements by August 31, 2023.

- If the smelter did not meet both requirements, the preferences were to expire on January 1, 2024.
- If DOR did not make a determination, the preferences would expire on July 1, 2027.

Because there were no beneficiaries, DOR did not make the determination in 2023. The preferences are scheduled to expire on July 1, 2027.

Recommendations

The Legislative Auditor makes one recommendation.

Recommendation #1:
The Legislature should allow the three preferences to expire on July 1, 2027.

Legislation required: No

Fiscal impact: None

Implementation date: July 1, 2027

Letter from commission chair

To be included in proposed final report.

Commission recommendation

To be included in proposed final report.

Current recommendation status

JLARC staff review whether the agency acted on the recommendation for four years. The first review typically happens about a year after we issue the report. The most recent responses from agencies and status of the recommendations in this report can be viewed on our **legislative auditor recommendations page**.

Appendices

Appendix A: Applicable statutes | **Appendix B: Study questions & methods** | **Appendix C: Audit authority** | **Appendix D: Study Process**

Appendix A: Applicable statutes

RCW **43.157.010** Significant projects

RCW **82.04.545** Exemptions — Sales of electricity or gas to silicon smelters

RCW **82.16.315** Exemptions — Sales of electricity or gas to silicon smelters

RCW **82.12.022** Natural or manufactured gas — Use tax imposed — Exemption

RCW **82.32.537** Silicon smelters — Annual survey or report. (Contingent expiration date.)

Appendix B: Study questions

By law, tax preference reviews must address these study questions

Study questions define the scope of the audit. These reviews will consider the study questions as they relate to each preference, which were presented to JLARC in September 2024 (**view here**).

- **Public policy objectives:** What did the Legislature intend to accomplish? Has the preference achieved those goals?
  - The Legislature defined specific performance metrics for some tax preferences.
  - For others, JLARC staff infer objectives and metrics.
- **Beneficiaries:** Who does the preference benefit, either directly or indirectly? How much have they saved?
- **Revenue and economic impacts:** What are the impacts to the taxpayers and the state?
- **Other states:** Do other states have a similar tax preference?
- **Racial equity:** Are there racial equity considerations associated with the tax preferences?

Methods

The methodology JLARC staff use when conducting analyses is tailored to the scope of each study, but generally includes the following:

- **Interviews** with stakeholders, agency representatives, and other relevant organizations or individuals.
- **Site visits** to entities that are under review.
- **Document reviews**, including applicable laws and regulations, agency policies and procedures pertaining to study objectives, and published reports, audits or studies on relevant topics.
- **Data analysis**, which may include data collected by agencies and/or data compiled by JLARC staff. Data collection sometimes involves surveys or focus groups.

- **Consultation with experts** when warranted. JLARC staff consult with technical experts when necessary to plan our work, to obtain specialized analysis from experts in the field, and to verify results.

The methods used in this study were conducted in accordance with Generally Accepted Government Auditing Standards.

More details about specific methods related to individual study objectives are described in the body of the report under the report details tab or in technical appendices.

Appendix C: Audit authority

The Joint Legislative Audit and Review Committee (JLARC) works to make state government operations more efficient and effective. The Committee is comprised of an equal number of House members and Senators, Democrats and Republicans.

JLARC's nonpartisan staff auditors, under the direction of the Legislative Auditor, conduct performance audits, program evaluations, sunset reviews, and other analyses assigned by the Legislature and the Committee.

The statutory authority for JLARC, established in **Chapter 44.28 RCW**, requires the Legislative Auditor to ensure that JLARC studies are conducted in accordance with Generally Accepted Government Auditing Standards, as applicable to the scope of the audit. This study was conducted in accordance with those applicable standards. Those standards require auditors to plan and perform audits to obtain sufficient, appropriate evidence to provide a reasonable basis for findings and conclusions based on the audit objectives. The evidence obtained for this JLARC report provides a reasonable basis for the enclosed findings and conclusions, and any exceptions to the application of audit standards have been explicitly disclosed in the body of this report.

Appendix D: Study process

View guide to JLARC Tax Preference Reviews **here**.

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