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Linda Miller, a 45-year Tacoma resident who says she "lives in the blast zone," encourages motorists to honk at a rally outside the Greater Tacoma Trade and Convention Center on Wednesday, Feb. 24, 2016, opposing the proposed methanol plant. The illuminated sign reads "#No methanol 253 victory." Drew Perine - dperine@thenewstribune.com

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Methanol plants could qualify for hundreds of millions in tax breaks

BY MELISSA SANTOS

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Those fighting a plan to build the world's largest methanol plant in Tacoma say the project shouldn't get a \$200-million tax break if it goes forward, partly due to concerns about how it could affect the

A handful of Tacoma residents came to Olympia on Wednesday to share those concerns with state lawmakers, who are considering [whether methanol plants should qualify for an exemption](#) from state and local sales taxes.

Under current law, the \$3.4-billion methanol plant proposed in Tacoma would qualify for about \$200 million in breaks from state sales taxes during construction, and another \$15 million in state tax benefits each year after its completion, according to the state Department of Revenue.

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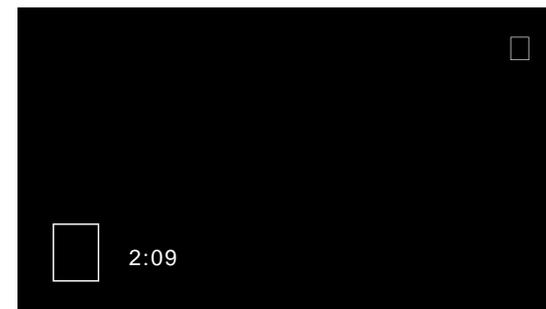
A smaller methanol plant proposed in Kalama would benefit from about \$100 million in relief from state sales tax through 2021, along with another \$43 million in local sales tax breaks during that time, according to a fiscal analysis.

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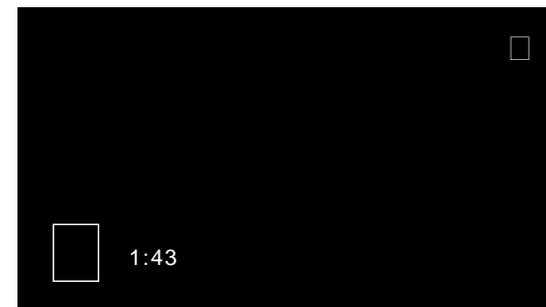
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company proposing to build it, Northwest Innovation Works, asked to “pause” the project’s environmental review process last week, citing an unexpected level of opposition from Tacoma citizens.

Yet a few Tacoma residents still showed up Wednesday at the state Capitol to oppose the prospect of the company getting tax incentives, saying they worry the methanol project could strain local water resources and potentially pollute the region’s air and water.

A larger crowd gathered Wednesday night at the Greater Tacoma Convention & Trade Center, where opponents of the methanol refinery rallied.

“I know we can do better,” Rachael DeSouza, a nurse at St. Joseph Medical Center in Tacoma, told lawmakers earlier in the day. DeSouza said she worries about the potential for an explosion at the methanol facility, as well as about the city’s ability to supply the 10 million gallons of water the plant would need per day.

Pollution also is something she worries about, she said.

“I want to have clean air to breathe,” DeSouza said.

[House Bill 2982](#) aims to ensure that a tax break on the sale of manufacturing machinery and equipment wouldn’t apply to companies that produce methanol from natural gas. The break allows companies to apply to exempt those purchases from state and local sales taxes, which add up to 9.5 percent in Tacoma.

As written, the bill applies to methanol produced from compressed or liquid natural gas — types Northwest Innovation Works said its plant wouldn’t use. But the sponsor, Rep. Laurie Jenkins, D-Tacoma, said she would amend the legislation if necessary to ensure it applies to the Tacoma project.

Jenkins said the Legislature needs to make sure the state’s tax

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incentives are “worth what we’re getting in exchange.” She said the tax breaks that methanol producers could claim “would essentially be hundreds of millions to fund our children’s education.”

Murray “Vee” Godley, the president of Northwest Innovation Works, testified against Jenkins’ legislation. He said building the methanol plants would generate increased tax revenue for Washington state, as well as for the communities where they’re located.

“From a purely fiscal perspective, killing these projects would deny the state and local jurisdictions hundreds of millions of dollars in tax revenue for decades to come,” Godley said.

Godley said methanol also provides a way to replace coal-burning facilities in China, which could reduce greenhouse gas emissions that harm the environment.

Northwest Innovation Works is mostly owned by the Chinese government. The refineries it has proposed in Tacoma and Kalama would convert natural gas to methanol, which would then be shipped to China to make plastics and other consumer goods.

“In this case, the tax breaks would benefit foreign investors,” Tacoma resident Charles Creso told lawmakers Wednesday. “To grant such tax breaks would shift the local tax burden that should have been paid by this company onto local taxpayers.”

House Majority Leader Pat Sullivan, D-Covington, said earlier this week he would be open to closing the tax exemption for methanol producers, saying it potentially could be worked into a deal on the 2016 supplemental budget.

But Senate budget writer Andy Hill, R-Redmond, expressed some doubt Wednesday that the measure could get through the state House, where Democratic leaders have struggled to gain enough support to close other tax breaks. Hill, who chairs the Senate Ways and Means Committee, said he’ll consider the idea if it clears the

state House first.

“I’ll just wait to see what happens,” Hill said.

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