

HOUSE BILL REPORT

SHB 1560

As Passed Legislature

Title: An act relating to evasion of fuel tax.

Brief Description: Penalizing fuel tax evasion.

Sponsors: By House Committee on Transportation (originally sponsored by Representatives K. Schmidt and Blanton; by request of Attorney General).

Brief History:

Committee Activity:

Transportation: 2/13/95, 2/21/95 [DPS].

Floor Activity:

Passed House: 3/13/95, 94-0.

Senate Amended.

House Refused to Concur.

Senate Receded.

Senate Amended.

House Concurred.

Passed Legislature.

HOUSE COMMITTEE ON TRANSPORTATION

Majority Report: The substitute bill be substituted therefor and the substitute bill do pass. Signed by 27 members: Representatives K. Schmidt, Chairman; Benton, Vice Chairman; Mitchell, Vice Chairman; Skinner, Vice Chairman; R. Fisher, Ranking Minority Member; Hatfield, Assistant Ranking Minority Member; Backlund; Blanton; Brown; Buck; Cairnes; Chandler; Chopp; Elliot; Hankins; Horn; Johnson; Koster; McMahan; Ogden; Patterson; Quall; Robertson; Romero; D. Schmidt; Scott and Tokuda.

Staff: Roger Horn (786-7839).

Background: Under current law, it is a gross misdemeanor for a fuel tax distributor to evade paying motor vehicle fuel or special fuel taxes. The maximum penalty is \$5,000 and one year in jail. In addition, the guilty party must pay the taxes owed, interest at 1.0 percent per month, and a penalty of 2.0 percent of taxes owed for motor vehicle fuel taxes and 10 percent for special fuel taxes. The statute of limitations pertaining to fuel tax evasion is two years.

A task force established by the Attorney General looked into economic crimes. The task force determined that the state is very likely losing substantial revenue through criminal evasion of motor vehicle fuel taxes. One problem that the task force discovered was that investigations of fuel tax evasion often take longer than the existing two-year statute of limitations to develop sufficient evidence to bring criminal charges. It is also felt that the amount of money involved justifies making this crime a felony with more serious penalties to deter future evasion.

Summary of Bill: Intentionally evading the payment of motor vehicle fuel and special fuel taxes is a Class C felony. As a Class C felony, a fine of up to \$10,000 and imprisonment of up to five years may be imposed. A person or corporation convicted under this law must pay the tax evaded plus interest at a rate of 12 percent per year and a penalty of 100 percent of the tax evaded. The 100 percent penalty is deposited in the state transportation fund. The statute of limitations for the crime is five years.

Appropriation: None.

Fiscal Note: Requested on February 8, 1995.

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

Testimony For: The current penalties for fuel tax evasion are not severe enough to warrant the time and expense required for prosecution of these cases. Failure to report taxes owed cannot be considered evasion under current law. More severe penalties will help deter evasion. The state is losing significant fuel tax revenue due to evasion. Tax cheaters have an unfair advantage over honest merchants.

Testimony Against: None.

Testified: David Walsh, Attorney General's Office; Michael Schwartz, Attorney General's Office; Jim Wadsworth, Department of Licensing; Tim Hamilton, Automotive United Trade Organization; Mike Sciacca, Washington Oil Marketers Association; and Eric Meale, Department of Transportation.