

HOUSE BILL REPORT

HB 1560

As Reported By House Committee On:
Transportation

Title: An act relating to evasion of fuel tax.

Brief Description: Penalizing fuel tax evasion.

Sponsors: Representatives K. Schmidt and Blanton; by request of Attorney General.

Brief History:

Committee Activity:

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

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. A fine of not less than \$500 and a prison term of not more than one year may be imposed. The maximum fine is \$5,000 for evasion of motor vehicle fuel taxes and \$1,000 plus costs of prosecution for evasion of special fuel taxes. 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.

Summary of Substitute 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 due 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.

Substitute Bill Compared to Original Bill: The substitute bill deposits the 100 percent penalty assessment for fuel tax evasion into the transportation fund rather than the general fund.

Appropriation: None.

Fiscal Note: Requested on February 8, 1995.

Effective Date of Substitute 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.