

HOUSE BILL REPORT

HB 2893

As Reported By House Committee On:
Transportation

Title: An act relating to fuel tax evasion.

Brief Description: Combatting fuel tax evasion.

Sponsors: Representatives Blanton, K. Schmidt, Dyer, Mitchell, Ballasiotes, Hankins, Hickel, Robertson, Benton and Koster.

Brief History:

Committee Activity:

Transportation: 1/31/96, 2/1/96 [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; McMahan; Ogden; Patterson; Quall; Robertson; Romero; D. Schmidt; Scott; Sterk and Tokuda.

Staff: Roger Horn (786-7839).

Background: In Washington motor fuel taxes are collected at the distributor level. Fuel taxes are collected by motor vehicle fuel (gasoline) distributors, special fuel (diesel) dealers, and aviation fuel distributors and paid to the Department of Licensing (DOL). Dealers and distributors must be licensed with the department. Fuel tax evasion is a Class C felony and, upon conviction, the evader is liable for the taxes owed and a 100 percent penalty assessment.

During the 1995 interim, the Legislative Transportation Committee (LTC) convened a task force of legislators and stakeholders to examine fuel tax evasion. An interim report was presented in December. The final report is due in March.

Summary of Substitute Bill: Fuel tax revenues collected by motor fuel dealers and distributors shall be considered to be held in trust for the state.

Items to be included on the application for a dealer or distributor's license are set forth. A person who supplies false information on the application may be prosecuted for false swearing. DOL is authorized to conduct background investigations, including fingerprint record checks, of motor fuel distributors and dealers before issuing a license. The department is required to charge a fee of \$50 for each background check conducted.

The reasons for which DOL may revoke or refuse to issue a distributor a dealer license are expanded to include having had a fuel distributor or dealer license revoked for cause or having been convicted of a gross misdemeanor or felony in which fraud was an element. The department is given authority to gather updated application information from current license holders. Dealers and distributors shall retain records for five years rather than three years. The penalty for miscellaneous offenses in the aviation fuel statutes is deemed to be a gross misdemeanor.

By December 31, 1996, DOL shall develop a database of license application information.

By July 1, 1996, DOL shall establish a fuel tax advisory group of state agency and petroleum industry representatives.

By December 1, 1996, the department shall, in cooperation with the Code Reviser, submit draft language to the LTC that would merge the motor vehicle fuel, special fuel, and aviation fuel statutes into one chapter.

Substitute Bill Compared to Original Bill: The substitute bill revises or clarifies the offenses identified in the original bill for providing false application information, display of and information on license permits, nonpayment of taxes owed, and various aviation fuel requirements. The substitute bill removes a provision establishing personal liability for unpaid taxes. The substitute bill provides the \$50 charge for background investigations. The substitute bill adds the requirement that DOL submit language that would merge all the fuel tax statutes into one RCW chapter.

Appropriation: None.

Fiscal Note: Requested on January 23, 1996.

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

Testimony For: It is estimated that fuel tax evasion costs the state \$50 million per year. This bill will help combat the problem. It is now too easy to obtain a fuel dealer or distributor license. Measures need to be taken to screen applicants and identify licensees engaged in illegal activities.

Testimony Against: None.

Testified: Representative Jerry Blanton, prime sponsor; Sgt. Ken Irwin, Washington State Patrol; Mike Sciacca, Washington Oil Marketers Association; Mike Seale, Department of Licensing; and Tim Hamilton, Automotive United Trade Organizations.