

# HOUSE BILL REPORT

## SSB 5648

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**As Reported By House Committee On:**  
Transportation

**Title:** An act relating to evasion of fuel tax.

**Brief Description:** Penalizing fuel tax evasion.

**Sponsors:** Senate Committee on Law & Justice (originally sponsored by Senators Smith and Owen; by request of Attorney General).

**Brief History:**

**Committee Activity:**

Transportation: 3/29/95, 3/30/95 [DPA].

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### HOUSE COMMITTEE ON TRANSPORTATION

**Majority Report:** Do pass as amended. Signed by 24 members: Representatives K. Schmidt, Chairman; Benton, Vice Chairman; Mitchell, 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; Robertson; Romero; D. Schmidt; Scott and Tokuda.

**Staff:** Roger Horn (786-7839).

**Background:** Under current law, it is a gross misdemeanor to evade payment of the tax on the various motor vehicle fuels. The maximum penalty is a \$5,000 fine and a year in jail. The statute of limitations 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 Amended Bill:** Evading the payment of motor vehicle fuel and special fuel taxes is (a) a class C felony if more than \$250 is evaded, or (b) a misdemeanor if \$250 or less is evaded. For a class C felony, a fine of up to \$10,000 and

imprisonment of up to five years may be imposed. For a misdemeanor, a fine of up to \$1,000 and imprisonment of up to 90 days 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 increased to five years.

**Amended Bill Compared to Substitute Bill:** The striking amendment changes the fuel tax evasion penalty assessment from 50 percent to 100 percent, deposits the penalty assessment fee into the transportation fund rather than the general fund, and makes evasion of \$250 or less in fuel taxes a misdemeanor rather than a class C felony.

**Appropriation:** None.

**Fiscal Note:** State fiscal note requested on January 30, 1995; local government fiscal note available.

**Effective Date of Amended 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 prosecution. 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:** Michael Schwartz, Attorney General's Office; and Mike Sciacca, Washington Oil Marketers Association and Automotive United Trades Organization.