

# SENATE BILL REPORT

## SB 5648

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As Reported By Senate Committee On:  
Law & Justice, February 7, 1995

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

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

**Sponsors:** Senators Smith and Owen; by request of Attorney General.

**Brief History:**

**Committee Activity:** Law & Justice: 2/7/95 [DPS].

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### SENATE COMMITTEE ON LAW & JUSTICE

**Majority Report:** That Substitute Senate Bill No. 5648 be substituted therefor, and the substitute bill do pass.

Signed by Senators Smith, Chair; C. Anderson, Vice Chair; Hargrove, Haugen, Johnson, Long, McCaslin, Roach and Schow.

**Staff:** Martin Lovinger (786-7443)

**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 Substitute Bill:** It is a class C felony to intentionally avoid payment of the tax on fuels used to propel motor vehicles. Persons or corporations convicted under this law are subject to imprisonment for up to five years and/or a fine up to \$10,000. In addition, they are also required to pay the tax evaded, plus interest, and a penalty of 50 percent of the tax evaded. The statute of limitations for this crime is five years.

**Substitute Bill Compared to Original Bill:** The original bill was not considered.

**Appropriation:** None.

**Fiscal Note:** Requested on January 30, 1995.

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

**Testimony For:** The bill is a result of a task force that reviewed penalties for tax evasion and decided that the current motor vehicle fuel tax laws are not useful because the statute of limitations does not provide sufficient time to investigate, prepare and refer cases for prosecution in these complex matters. There is no incentive to obey the laws because they are not enforceable. Under the current law, it is not illegal to not file a tax return, it is only illegal to file a false one. Refiners, distributors, and retail dealers support this bill in order to eliminate the unfair competitive advantage of businesses which do not pay taxes.

**Testimony Against:** None.

**Testified:** PRO: David Walsh, Attorney General's Office; Michael Schwartz, Attorney General's Office; Mike Sciacca, WOMA; Tim Hamilton, AUTO; Roy Wiseman, WSPA; Jim Wadsworth, Dept. of Licensing; John Doyle, Dept. of Transportation.