

SENATE BILL REPORT

SB 6673

As Reported By Senate Committee On:
Transportation, February 6, 1996

Title: An act relating to fuel tax evasion.

Brief Description: Combatting fuel tax evasion.

Sponsors: Senators Owen and Wood.

Brief History:

Committee Activity: Transportation: 2/1/96, 2/6/96 [DPS].

SENATE COMMITTEE ON TRANSPORTATION

Majority Report: That Substitute Senate Bill No. 6673 be substituted therefor, and the substitute bill do pass.

Signed by Senators Owen, Chair; Heavey, Vice Chair; Goings, Oke, Prentice, Rasmussen, Schow, Sellar, Thibaudeau and Wood.

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 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 are considered to be held in trust for the state. Personal liability for unpaid taxes is applied to persons, partnerships, and corporations. Nonpayment of funds held in trust and illegally claiming that fuel has been exported to avoid payment of fuel tax are deemed felonies or gross misdemeanors depending on the magnitude of the offense. Miscellaneous offenses in the aviation fuel statutes are deemed gross misdemeanors rather than misdemeanors.

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 given authority to gather updated application information from current license holders. The reasons for which DOL may revoke or refuse to issue a distributor or dealer license are expanded.

DOL is authorized to conduct background investigations, including fingerprint record checks, of motor fuel distributors and dealers before issuing a license. Applicants are to be charged \$50 for each background check.

Dealers and distributors must retain records for five years rather than three years.

By July 1, 1996, DOL must establish a fuel tax advisory group of state agency and petroleum industry representatives. By December 1, 1996, DOL is required to draft language to merge the motor vehicle fuel, special fuel, and aviation fuel statutes into one RCW chapter. By December 31, 1996, DOL must develop a database of license application information.

Substitute Bill Compared to Original Bill: The substitute bill revises the offense for providing false information on a dealer/distributor license application from perjury to false swearing, restores current law language for offenses pertaining to the display of permits and examination of records, clarifies the offense for nonpayment of taxes, revises the offense for miscellaneous aviation fuel tax violations, imposes a \$50 charge for background checks, requires DOL to develop language to merge the fuel tax statutes, and adds reasons for which a dealer/distributor license may be denied or revoked.

Appropriation: None.

Fiscal Note: Available.

Effective Date: 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 is a good step toward fighting fuel tax evasion. It is too easy to obtain a dealer or distributor license. Measures need to be taken to better screen applicants and identify licensees engaged in illegal activities.

Testimony Against: None

Testified: Mike Seale, Department of Licensing; Ken Irwin, Washington State Patrol.