

HOUSE BILL REPORT

HB 1407

As Reported by House Committee On:
Transportation

Title: An act relating to the taxation of fuel.

Brief Description: Modifying the taxation of fuel.

Sponsors: Representatives Fisher and Mitchell; by request of Department of Licensing.

Brief History:

Committee Activity:

Transportation: 2/5/01, 2/7/01 [DPA].

Brief Summary of Amended Bill

- Makes technical corrections to motor vehicle fuel and special fuel tax-at-the-rack laws.

HOUSE COMMITTEE ON TRANSPORTATION

Majority Report: Do pass as amended. Signed by 26 members: Representatives Fisher, Democratic Co-Chair; Mitchell, Republican Co-Chair; Cooper, Democratic Vice Chair; Ericksen, Republican Vice Chair; Hankins, Republican Vice Chair; Lovick, Democratic Vice Chair; Ahern, Anderson, Armstrong, G. Chandler, Edmonds, Hatfield, Jackley, Jarrett, Marine, Mielke, Morell, Murray, Ogden, Reardon, Rockefeller, Romero, Simpson, Skinner, Sump and Wood.

Staff: Jeff Doyle (786-7322).

Background:

Prior to 1999 taxes on motor fuel were collected by the Department of Licensing from fuel distributors. At that time, there were approximately 740 licensed fuel distributors in Washington. In addition, approximately 27,000 individuals held licenses that allowed them to purchase fuel without paying taxes up front. These users held the fuel in bulk storage tanks, using some of the fuel for non-highway purposes (usually agriculture). They only had to remit taxes for portions of fuel used for highway purposes.

In 1994 the Federal Highway Administration estimated that fuel tax was being evaded on 3 to 7 percent of gasoline gallons, and 15 to 25 percent on diesel gallons. In 1996 the Legislative Transportation Committee concluded that significant fuel tax evasion was occurring in Washington, and made recommendations to address the issue.

In 1998 the Legislature enacted SHB 2659, which imposes fuel taxes at the time of removal of such fuel from the terminal rack in Washington. This is referred to as tax-at-the-rack.– Taxes are remitted to the Department of Licensing.

Summary of Amended Bill:

Technical corrections are made to the motor vehicle fuel tax and special fuel tax statutes. The definition of motor vehicle fuel supplier– is amended to conform to federal regulations. The term position holder– is changed to licensed supplier.– The statute is changed to clarify that special fuel sold by a licensed supplier to a distributor, importer, or blender is a taxable event. Distributors may offer lines of credit, assets, or other financial security in lieu of a surety bond.

Amended Bill Compared to Original Bill:

Distributors of motor fuel may offer alternatives to surety bonds as financial security for the payment of taxes.

Appropriation: None.

Fiscal Note: Not Requested.

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

Testimony For: These corrections will help the state’s fuel tax collection statutes be consistent with federal regulations.

Testimony Against: None.

Testified: Thao Pham Manikhoth, Department of Licensing; and Charlie Brown, WA Oil Marketers Associations.