
**Technology, Energy &
Communications Committee**

HB 2663

Brief Description: Providing excise tax exemptions for alternative fuels.

Sponsors: Representatives Holmquist, Morris, Orcutt, Sump, Ericksen, Dunshee, Buri, McDonald, Haler, B. Sullivan, Condotta, McCune, Kristiansen, Morrell, Green, Kretz, Ericks, Chandler, Wallace, Skinner, Crouse, Cox, Nixon, Rodne, Serben, Campbell, P. Sullivan, Simpson, Clibborn, Sells, Ahern, Hinkle, Moeller, Linville, Jarrett, Ormsby, Strow, Kilmer and Dunn.

Brief Summary of Bill

- Creates tax exemptions for alternative fuel if the fuel is manufactured in Washington state.

Hearing Date: 1/17/06

Staff: Kara Durbin (786-7133).

Background:

Special Fuel Tax:

The special fuel tax applies to all combustible gases and liquids used to propel motor vehicles, except gasoline. The main types of fuels subject to the special fuel tax are diesel, natural gas, propane, and butane. The rate of the tax is the same as the motor vehicle fuel tax rate: 23 cents.

Retail Sales and Use Taxes:

The state retail sales tax rate is 6.5 percent and is imposed on the retail sale of most tangible personal property and some services. In addition, local sales taxes apply. Cities and counties may levy a local tax at a rate up to a maximum of 3.1 percent; currently, local rates levied range from 0.5 percent to 2.4 percent. The combined tax rate is between a minimum of 7 percent and a maximum of 8.9 percent depending on the location of the purchase. Sales tax is paid by the purchaser and collected by the seller. Sales tax revenue is deposited in the State General Fund.

The use tax is imposed on the use of an item in this state when the acquisition of the item has not been subject to sales tax. The use tax applies to items purchased from sellers who do not collect sales tax, items acquired from out-of-state, and items produced by the person using the item. Use tax is equal to the sales tax rate multiplied by the value of the property used. Use tax is paid directly to the Department of Revenue. Use tax revenue is deposited in the State General Fund.

Summary of Bill:

Alternative fuel is exempt from the special fuels tax under chapter 82.38 RCW if the fuel is manufactured in Washington State.

If an alternative fuel is exempt from special fuel tax, then it is also exempt from retail sales and use tax under RCW 82.08.020 and RCW 82.12.020.

The term "alternative fuel" is defined as alcohol fuel, biodiesel fuel, or biodiesel feedstock.

This bill expires on July 1, 2015.

Appropriation: None.

Fiscal Note: Requested on 1/16/06.

Effective Date: The bill takes effect on July 1, 2006.