

HOUSE BILL REPORT

HB 2424

As Reported by House Committee On:
Finance

Title: An act relating to correcting the use tax exemption for self-produced fuel.

Brief Description: Correcting the use tax exemption for self-produced fuel.

Sponsors: Representatives Lytton and Nealey.

Brief History:

Committee Activity:

Finance: 1/12/18, 1/19/18 [DPS].

Brief Summary of Substitute Bill

- Provides a tax preference performance statement for changes made to the use tax preference for self-produced fuels.
- Moves the effective date of the use tax rate for refinery fuel gas from August 1, 2017, to January 1, 2018.
- Moves the effective date of the narrowing of the self-produced fuel exemption from August 1, 2017, to January 1, 2018.

HOUSE COMMITTEE ON FINANCE

Majority Report: The substitute bill be substituted therefor and the substitute bill do pass. Signed by 9 members: Representatives Frame, Vice Chair; Nealey, Ranking Minority Member; Orcutt, Assistant Ranking Minority Member; Condotta, Dolan, Pollet, Springer, Stokesbary and Wylie.

Staff: Tracey O'Brien (786-7152).

Background:

In 2017 Engrossed Substitute House Bill (EHB) 2163 made changes to the use tax exemption for self-produced fuels effective August 1, 2017.

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.

The state use tax exemption for self-produced fuel was narrowed to apply to biomass fuel only.

The state use tax rate for refinery fuel gas was set as follows:

- 0.963 percent for calendar year 2018;
- 1.926 percent for calendar year 2019;
- 2.889 percent for calendar year 2020; and
- 3.852 percent beginning January 1, 2021.

As the result of the effective date of August 1, 2017, the use tax rate applied to refinery fuel gas defaulted to 6.5 percent for the last five months of 2017.

Summary of Substitute Bill:

A tax preference performance statement is provided for the changes made to the tax preference for self-produced fuels in EHB 2163. In addition, the effective date for the use tax rates for refinery gas fuel and for the narrowing of the use tax exemption for self-produced fuel is retroactively and prospectively changed to January 1, 2018.

Substitute Bill Compared to Original Bill:

The substitute bill clarifies that the changes to the self-produced fuel exemption also apply prospectively.

Appropriation: None.

Fiscal Note: Available.

Effective Date of Substitute Bill: The bill contains an emergency clause and takes effect immediately.

Staff Summary of Public Testimony:

(In support) The wrong effective date for the self-produced fuel changes was not discovered prior to passage of the revenue package. The rate changes in statute began January 1, 2018, but due to the wrong effective date, the use tax rate change took effect on August 1, 2017, and defaulted to 6.5 percent. At this point, none of the impacted taxpayers have remitted the use tax for the last five months of 2017. This is purely a technical fix and that is reflected in the fiscal note.

(Opposed) None.

Persons Testifying: Representative Lytton, prime sponsor; Matt Gill, Andeavor; and Greg Hanon, Western States Petroleum Association.

Persons Signed In To Testify But Not Testifying: None.