

SENATE BILL REPORT

HB 2387

AS REPORTED BY COMMITTEE ON WAYS & MEANS, MARCH 2, 1992

Brief Description: Extending tax exemptions for alcohol fuel production.

SPONSORS: Representatives Chandler, R. Meyers, Nealey, Rasmussen, McLean, R. Fisher, Hochstatter, Ferguson, Prince and Moyer

HOUSE COMMITTEE ON REVENUE

SENATE COMMITTEE ON WAYS & MEANS

Majority Report: Do pass as amended.

Signed by Senators McDonald, Chairman; Craswell, Vice Chairman; Bailey, Bauer, Bluechel, Cantu, Gaspard, Hayner, Metcalf, Newhouse, Niemi, Owen, Rinehart, L. Smith, Talmadge, West, Williams, and Wojahn.

Staff: Terry Wilson (786-7715)

Hearing Dates: February 27, 1992; March 2, 1992

BACKGROUND:

The business and occupation (B&O) tax is levied for the privilege of doing business in the state at varying rates. The tax is levied on the gross receipts of all business activities without deductions for costs of doing business. There are currently 10 different B&O rates, but the three principal rates are: manufacturing, wholesaling, and extracting, 0.484 percent; retailing, 0.471 percent; and service activities, 1.5 percent.

The state leasehold excise tax is imposed on public property which is exempt from property taxation and which is used for private purposes. The tax is collected by public entities that lease property to private parties. The tax rate of 12.84 percent is imposed on the amount paid in rent for the public property. Cities and counties may also levy local leasehold excise taxes.

The property tax applies annually to the assessed value of real and personal property except property specifically exempt by law. The statewide average tax rate applied to the assessed value of property in 1991 was \$13.14 per \$1,000 of assessed value.

Businesses are exempt from B&O taxes on the manufacture or sale of alcohol for use in motor vehicle fuel (gasohol) and the sale of gasohol as motor vehicle fuel until December 31, 1992. Property used in the production of alcohol for use as fuel, excluding land necessary for growing crops, is exempt

for six years from property and leasehold excise taxes if a claim for exemption is filed with the Department of Revenue by December 31, 1992. Claims for property and leasehold tax exemptions may not be renewed.

SUMMARY:

The termination date for B&O, property, and leasehold excise tax exemptions is extended until December 31, 1999.

Appropriation: none

Revenue: none

Fiscal Note: available

SUMMARY OF PROPOSED SENATE AMENDMENT:

The B&O exemptions are not extended.

TESTIMONY FOR:

This encourages people to use alcohol in motor vehicle fuel. Gasohol is less polluting. The federal Clean Air Act requires a 10 percent alcohol fuel mix in certain counties beginning this fall. Ninety percent of the gasohol is currently imported. This will encourage plants to locate here. Costs can be reduced if gasohol is purchased from in-state suppliers.

TESTIMONY AGAINST: None

TESTIFIED: Representative Gary Chandler, prime sponsor; Mike Ryherd, Time Oil Company