

CERTIFICATION OF ENROLLMENT  
**SUBSTITUTE SENATE BILL 6673**

Chapter 104, Laws of 1996

54th Legislature  
1996 Regular Session

FUEL TAX EVASION

EFFECTIVE DATE: 6/6/96

Passed by the Senate February 13, 1996  
YEAS 49 NAYS 0

JOEL PRITCHARD

**President of the Senate**

Passed by the House February 29, 1996  
YEAS 92 NAYS 0

CLYDE BALLARD

**Speaker of the  
House of Representatives**

Approved March 15, 1996

CERTIFICATE

I, Marty Brown, Secretary of the Senate of the State of Washington, do hereby certify that the attached is **SUBSTITUTE SENATE BILL 6673** as passed by the Senate and the House of Representatives on the dates hereon set forth.

MARTY BROWN

**Secretary**

FILED

March 15, 1996 - 3:35 p.m.

MIKE LOWRY

**Governor of the State of Washington**

**Secretary of State  
State of Washington**

---

**SUBSTITUTE SENATE BILL 6673**

---

Passed Legislature - 1996 Regular Session

**State of Washington                      54th Legislature                      1996 Regular Session**

**By** Senate Committee on Transportation (originally sponsored by Senators Owen and Wood)

Read first time 02/06/96.

1            AN ACT Relating to fuel tax evasion; amending RCW 82.36.030,  
2 82.36.045, 82.36.060, 82.36.070, 82.36.160, 82.36.390, 82.38.030,  
3 82.38.110, 82.38.120, 82.38.140, 82.38.150, 82.38.170, 82.42.020,  
4 82.42.040, 82.42.060, and 82.42.080; creating new sections; and  
5 prescribing penalties.

6 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

7            **Sec. 1.** RCW 82.36.030 and 1994 c 262 s 18 are each amended to read  
8 as follows:

9            Every distributor shall on or before the twenty-fifth day of each  
10 calendar month file, on forms furnished by the department, a statement  
11 signed by the distributor or his or her authorized agent showing the  
12 total number of gallons of motor vehicle fuel sold, distributed, or  
13 used by such distributor within this state during the preceding  
14 calendar month and, for counties within which an additional excise tax  
15 on motor vehicle fuel has been levied by that jurisdiction under RCW  
16 82.80.010, showing the total number of gallons of motor vehicle fuel  
17 sold, distributed, or used by the distributor within the boundaries of  
18 the county during the preceding calendar month. As directed by the  
19 department, the distributor shall periodically submit with the

1 statement, on forms furnished by the department, updated license  
2 information.

3       **Sec. 2.** RCW 82.36.045 and 1991 c 339 s 1 are each amended to read  
4 as follows:

5       (1) If the department determines that the tax reported by a motor  
6 vehicle fuel distributor is deficient, the department shall assess the  
7 deficiency on the basis of information available to it, and shall add  
8 a penalty of two percent of the amount of the deficiency.

9       (2) If a distributor, whether licensed or not licensed as such,  
10 fails, neglects, or refuses to file a motor vehicle fuel tax report the  
11 department shall, on the basis of information available to it,  
12 determine the tax liability of the distributor for the period during  
13 which no report was filed. The department shall add the penalty  
14 provided in subsection (1) of this section to the tax. An assessment  
15 made by the department under this subsection or subsection (1) of this  
16 section is presumed to be correct. In any case, where the validity of  
17 the assessment is questioned, the burden is on the person who  
18 challenges the assessment to establish by a fair preponderance of  
19 evidence that it is erroneous or excessive, as the case may be.

20       (3) If a distributor files a false or fraudulent report with intent  
21 to evade the tax imposed by this chapter, the department shall add to  
22 the amount of deficiency a penalty equal to twenty-five percent of the  
23 deficiency, in addition to the penalty provided in subsections (1) and  
24 (2) of this section and all other penalties prescribed by law.

25       (4) Motor vehicle fuel tax, penalties, and interest payable under  
26 this chapter bears interest at the rate of one percent per month, or  
27 fraction thereof, from the first day of the calendar month after the  
28 amount or any portion of it should have been paid until the date of  
29 payment. If a distributor establishes by a fair preponderance of  
30 evidence that the failure to pay the amount of tax due was attributable  
31 to reasonable cause and was not intentional or willful, the department  
32 may waive the penalty. The department may waive the interest when it  
33 determines the cost of processing or collection of the interest exceeds  
34 the amount of interest due.

35       (5) Except in the case of a fraudulent report, neglect or refusal  
36 to make a report, or failure to pay or to pay the proper amount, the  
37 department shall assess the deficiency under subsection (1) or (2) of  
38 this section within (~~three~~) five years from the last day of the

1 succeeding calendar month after the reporting period for which the  
2 amount is proposed to be determined or within (~~three~~) five years  
3 after the return is filed, whichever period expires later.

4 (6) Except in the case of violations of filing a false or  
5 fraudulent report, if the department deems mitigation of penalties and  
6 interest to be reasonable and in the best interest of carrying out the  
7 purpose of this chapter, it may mitigate such assessments upon whatever  
8 terms the department deems proper, giving consideration to the degree  
9 and extent of the lack of records and reporting errors. The department  
10 may ascertain the facts regarding recordkeeping and payment penalties  
11 in lieu of more elaborate proceedings under this chapter.

12 (7) A distributor against whom an assessment is made under  
13 subsection (1) or (2) of this section may petition for a reassessment  
14 within thirty days after service upon the distributor of notice of the  
15 assessment. If the petition is not filed within the thirty-day period,  
16 the amount of the assessment becomes final at the expiration of that  
17 period.

18 If a petition for reassessment is filed within the thirty-day  
19 period, the department shall reconsider the assessment and, if the  
20 distributor has so requested in its petition, shall grant the  
21 distributor an oral hearing and give the distributor twenty days'  
22 notice of the time and place of the hearing. The department may  
23 continue the hearing from time to time. The decision of the department  
24 upon a petition for reassessment becomes final thirty days after  
25 service of notice upon the distributor.

26 An assessment made by the department becomes due and payable when  
27 it becomes final. If it is not paid to the department when due and  
28 payable, the department shall add a penalty of ten percent of the  
29 amount of the tax.

30 (8) In a suit brought to enforce the rights of the state under this  
31 chapter, the assessment showing the amount of taxes, penalties,  
32 interest, and cost unpaid to the state is prima facie evidence of the  
33 facts as shown.

34 (9) A notice of assessment required by this section must be served  
35 personally or by mail. If it is served by mail, service shall be made  
36 by deposit of the notice in the United States mail, postage prepaid,  
37 addressed to the distributor at the most current address furnished to  
38 the department.

1       (10) The tax required by this chapter, to be collected by the  
2 seller, is held in trust by the seller until paid to the department,  
3 and a seller who appropriates or converts the tax collected to his or  
4 her own use or to any use other than the payment of the tax to the  
5 extent that the money required to be collected is not available for  
6 payment on the due date as prescribed in this chapter is guilty of a  
7 felony, or gross misdemeanor in accordance with the theft and  
8 anticipatory provisions of Title 9A RCW. A person, partnership,  
9 corporation, or corporate officer who fails to collect the tax imposed  
10 by this section, or who has collected the tax and fails to pay it to  
11 the department in the manner prescribed by this chapter, is personally  
12 liable to the state for the amount of the tax.

13       **Sec. 3.** RCW 82.36.060 and 1994 c 262 s 19 are each amended to read  
14 as follows:

15       Every person, before becoming a distributor or continuing in  
16 business as a distributor, shall make an application to the department  
17 for a license authorizing the applicant to engage in business as a  
18 distributor. Applications for such licenses shall be made to the  
19 department on forms to be furnished by the department.

20       Every application for a distributor's license must contain the  
21 following information to the extent it applies to the applicant:

22       (1) Proof as the department may require concerning the applicant's  
23 identity, including but not limited to his or her fingerprints or those  
24 of the officers of a corporation making the application;

25       (2) The applicant's form and place of organization including proof  
26 that the individual, partnership, or corporation is licensed to do  
27 business in this state;

28       (3) The qualification and business history of the applicant and any  
29 partner, officer, or director;

30       (4) The applicant's financial condition or history including a bank  
31 reference and whether the applicant or any partner, officer, or  
32 director has ever been adjudged bankrupt or has an unsatisfied judgment  
33 in a federal or state court;

34       (5) Whether the applicant has been adjudged guilty of a crime that  
35 directly relates to the business for which the license is sought and  
36 the time elapsed since the conviction is less than ten years, or has  
37 suffered a judgment within the preceding five years in a civil action

1 involving fraud, misrepresentation, or conversion and in the case of a  
2 corporation or partnership, all directors, officers, or partners.

3 After receipt of an application for a license, the director may  
4 conduct an investigation to determine whether the facts set forth are  
5 true. The director may require a fingerprint record check of the  
6 applicant through the Washington state patrol criminal identification  
7 system and the federal bureau of investigation before issuance of a  
8 license. The results of the background investigation including  
9 criminal history information may be released to authorized department  
10 personnel as the director deems necessary. The department shall charge  
11 a license holder or license applicant a fee of fifty dollars for each  
12 background investigation conducted.

13 An applicant who makes a false statement of a material fact on the  
14 application may be prosecuted for false swearing as defined by RCW  
15 9A.72.040.

16 Before granting any license authorizing any person to engage in  
17 business as a distributor, the department shall require applicant to  
18 file with the department, in such form as shall be prescribed by the  
19 department, a corporate surety bond duly executed by the applicant as  
20 principal, payable to the state and conditioned for faithful  
21 performance of all the requirements of this chapter, including the  
22 payment of all taxes, penalties, and other obligations arising out of  
23 this chapter. The total amount of the bond or bonds, required of any  
24 distributor shall be fixed by the department and may be increased or  
25 reduced by the department at any time subject to the limitations herein  
26 provided. In fixing the total amount of the bond or bonds required of  
27 any distributor, the department shall require a bond or bonds  
28 equivalent in total amount to twice the estimated monthly excise tax  
29 determined in such manner as the department may deem proper. If at any  
30 time the estimated excise tax to become due during the succeeding month  
31 amounts to more than fifty percent of the established bond, the  
32 department shall require additional bonds or securities to maintain the  
33 marginal ratio herein specified or shall demand excise tax payments to  
34 be made weekly or semimonthly to meet the requirements hereof.

35 ~~((In lieu of a bond in excess of five thousand dollars the~~  
36 ~~distributor may file with the department a property statement setting~~  
37 ~~forth a complete description of all his property and the values~~  
38 ~~thereof, and showing the amount of any indebtedness or encumbrance~~  
39 ~~thereon to the end that the department may ascertain whether or not the~~

1 distributor can be compelled to respond in twice the amount of the  
2 taxes due or to become due hereunder. If the department determines  
3 that the distributor can be compelled to respond in twice the amount of  
4 the tax the department may accept such statement in lieu of a bond in  
5 excess of five thousand dollars. The department may at any time demand  
6 from the distributor a new property statement and may at any time if  
7 the department deems the property of the distributor insufficient to  
8 secure the payment of twice the amount of the taxes require the  
9 distributor to furnish a bond in such amount as will secure the payment  
10 of twice the amount of the taxes.))

11 The total amount of the bond or bonds required of any distributor  
12 shall never be less than five thousand dollars nor more than fifty  
13 thousand dollars.

14 No recoveries on any bond or the execution of any new bond shall  
15 invalidate any bond and no revocation of any license shall effect the  
16 validity of any bond but the total recoveries under any one bond shall  
17 not exceed the amount of the bond.

18 In lieu of any such bond or bonds in total amount as herein fixed,  
19 a distributor may deposit with the state treasurer, under such terms  
20 and conditions as the department may prescribe, a like amount of lawful  
21 money of the United States or bonds or other obligations of the United  
22 States, the state, or any county of the state, of an actual market  
23 value not less than the amount so fixed by the department.

24 Any surety on a bond furnished by a distributor as provided herein  
25 shall be released and discharged from any and all liability to the  
26 state accruing on such bond after the expiration of thirty days from  
27 the date upon which such surety has lodged with the department a  
28 written request to be released and discharged, but this provision shall  
29 not operate to relieve, release, or discharge the surety from any  
30 liability already accrued or which shall accrue before the expiration  
31 of the thirty day period. The department shall promptly, upon  
32 receiving any such request, notify the distributor who furnished the  
33 bond; and unless the distributor, on or before the expiration of the  
34 thirty day period, files a new bond, or makes a deposit in accordance  
35 with the requirements of this section, the department shall forthwith  
36 cancel the distributor's license. Whenever a new bond is furnished by  
37 a distributor, the department shall cancel his or her old bond as soon  
38 as the department and the attorney general are satisfied that all  
39 liability under the old bond has been fully discharged.

1 The department may require a distributor to give a new or  
2 additional surety bond or to deposit additional securities of the  
3 character specified in this section if, in its opinion, the security of  
4 the surety bond theretofore filed by such distributor, or the market  
5 value of the properties deposited as security by the distributor, shall  
6 become impaired or inadequate; and upon the failure of the distributor  
7 to give such new or additional surety bond or to deposit additional  
8 securities within thirty days after being requested so to do by the  
9 department, the department shall forthwith cancel his or her license.

10 **Sec. 4.** RCW 82.36.070 and 1994 c 262 s 20 are each amended to read  
11 as follows:

12 The application in proper form having been accepted for filing, the  
13 filing fee paid, and the bond or other security having been accepted  
14 and approved, the department shall issue to the applicant a license to  
15 transact business as a distributor in the state, and such license shall  
16 be valid until canceled or revoked.

17 The license so issued by the department shall not be assignable,  
18 and shall be valid only for the distributor in whose name issued.

19 The department shall keep and file all applications and bonds with  
20 an alphabetical index thereof, together with a record of all licensed  
21 distributors.

22 Each distributor shall be assigned a license number upon qualifying  
23 for a license hereunder, and the department shall issue to each such  
24 licensee a license certificate which shall be displayed conspicuously  
25 by the distributor at his or her principal place of business. The  
26 department may refuse to issue or may revoke a motor vehicle fuel  
27 distributor license, to a person:

28 (1) Who formerly held a motor vehicle fuel distributor's license  
29 that, before the time of filing for application, has been revoked or  
30 canceled for cause;

31 (2) Who is a subterfuge for the real party in interest whose  
32 license has been revoked or canceled for cause;

33 (3) Who, as an individual licensee or officer, director, owner, or  
34 managing employee of a nonindividual licensee, has had a motor vehicle  
35 fuel distributor license revoked or canceled for cause;

36 (4) Who has an unsatisfied debt to the state assessed under either  
37 chapter 82.36, 82.37, 82.38, 82.42, or 46.87 RCW; ((or))



1       (5) Who formerly held as an individual, officer, director, owner,  
2 managing employee of a nonindividual licensee, or subterfuge for a real  
3 party in interest, a license issued by the federal government or a  
4 state that allowed a person to buy or sell untaxed motor vehicle or  
5 special fuel, which license, before the time of filing for application,  
6 has been revoked for cause;

7       (6) Who pled guilty to or was convicted as an individual, corporate  
8 officer, director, owner, or managing employee in this or any other  
9 state or in any federal jurisdiction of a gross misdemeanor or felony  
10 crime directly related to the business or has been subject to a civil  
11 judgment involving fraud, misrepresentation, conversion, or dishonesty,  
12 notwithstanding chapter 9.96A RCW;

13       (7) Who misrepresented or concealed a material fact in obtaining a  
14 license or in reinstatement thereof;

15       (8) Who violated a statute or administrative rule regulating fuel  
16 taxation or distribution;

17       (9) Who failed to cooperate with the department's investigations  
18 by:

19       (a) Not furnishing papers or documents;

20       (b) Not furnishing in writing a full and complete explanation  
21 regarding a matter under investigation by the department; or

22       (c) Not responding to subpoenas issued by the department, whether  
23 or not the recipient of the subpoena is the subject of the proceeding;

24       (10) Who failed to comply with an order issued by the director; or

25       (11) Upon other sufficient cause being shown.

26       Before such a refusal or revocation, the department shall grant the  
27 applicant a hearing and shall give the applicant at least twenty days'  
28 written notice of the time and place of the hearing.

29       For the purpose of considering an application for a distributor's  
30 license, the department may inspect, cause an inspection, investigate,  
31 or cause an investigation of the records of this or any other state or  
32 of the federal government to ascertain the veracity of the information  
33 on the application form and the applicant's criminal and licensing  
34 history.

35       The department may, in the exercise of reasonable discretion,  
36 suspend a motor vehicle distributor license at any time before and  
37 pending such a hearing for unpaid taxes or reasonable cause.

1       **Sec. 5.** RCW 82.36.160 and 1961 c 15 s 82.36.160 are each amended  
2 to read as follows:

3       Every distributor shall maintain in the office of his or her  
4 principal place of business in this state, for a period of (~~three~~)  
5 five years, records of motor vehicle fuel received, sold, distributed,  
6 or used by (~~him~~) the distributor, in such form as the director may  
7 prescribe, together with invoices, bills of lading, and other pertinent  
8 papers as may be required under the provisions of this chapter.

9       Every dealer purchasing motor vehicle fuel taxable under this  
10 chapter for the purpose of resale, shall maintain within this state,  
11 for a period of two years a record of motor vehicle fuels received, the  
12 amount of tax paid to the distributor as part of the purchase price,  
13 together with delivery tickets, invoices, and bills of lading, and such  
14 other records as the director shall require.

15       **Sec. 6.** RCW 82.36.390 and 1961 c 15 s 82.36.390 are each amended  
16 to read as follows:

17       Any person who, through false statement, trick, or device, or  
18 otherwise, obtains motor vehicle fuel for export and fails to export  
19 the same or any portion thereof, or causes such motor vehicle fuel or  
20 any thereof not to be exported, or who diverts said motor vehicle fuel  
21 or any thereof or who causes it to be diverted from interstate or  
22 foreign transit begun in this state, or who unlawfully returns such  
23 fuel or any thereof to this state and sells or uses it or any thereof  
24 in this state or causes it or any thereof to be used or sold in this  
25 state and fails to notify the distributor from whom such motor vehicle  
26 fuel was originally purchased of his or her act, and any distributor or  
27 other person who conspires with any person to withhold from export, or  
28 divert from interstate or foreign transit begun in this state, or to  
29 return motor vehicle fuel to this state for sale or use with intent to  
30 avoid any of the taxes imposed by this chapter, (~~shall be~~) is guilty  
31 of a (~~gross misdemeanor, and upon conviction thereof shall be punished~~  
32 ~~by a fine of not less than five hundred dollars nor more than five~~  
33 ~~thousand dollars, or by imprisonment in the county jail not exceeding~~  
34 ~~one year, or by both such fine and imprisonment~~) felony, or gross  
35 misdemeanor in accordance with the theft and anticipatory provisions of  
36 Title 9A RCW. Each shipment illegally diverted or illegally returned  
37 shall be a separate offense, and the unit of each shipment shall be the  
38 cargo of one vessel, or one railroad carload, or one automobile truck

1 load, or such truck and trailer load, or one drum, or one barrel, or  
2 one case or one can.

3 **Sec. 7.** RCW 82.38.030 and 1989 c 193 s 3 are each amended to read  
4 as follows:

5 (1) There is hereby levied and imposed upon special fuel users a  
6 tax at the rate computed in the manner provided in RCW 82.36.025 per  
7 gallon or each one hundred cubic feet of compressed natural gas  
8 measured at standard pressure and temperature on the use of special  
9 fuel in any motor vehicle operated upon the highways of this state  
10 during the fiscal year for which such rate is applicable.

11 (2) The tax shall be collected by the special fuel dealer and shall  
12 be paid over to the department as hereinafter provided: (a) With  
13 respect to all special fuel delivered by a special fuel dealer into  
14 supply tanks of motor vehicles or into storage facilities used for the  
15 fueling of motor vehicles at unbonded service stations in this state;  
16 or (b) in all other transactions where the purchaser is not the holder  
17 of a valid special fuel license issued pursuant to this chapter  
18 allowing the purchase of untaxed special fuel, except sales of special  
19 fuel for export. To claim an exemption on account of sales by a  
20 licensed special fuel dealer for export, the purchaser shall obtain  
21 from the selling special fuel dealer, and such selling special fuel  
22 dealer must furnish the purchaser, an invoice giving such details of  
23 the sale for export as the director may require, copies of which shall  
24 be furnished the department and the entity of the state or foreign  
25 jurisdiction of destination which is charged by the laws of that state  
26 or foreign jurisdiction with the control or monitoring or both, of the  
27 sales or movement of special fuel in that state or foreign  
28 jurisdiction.

29 (3) The tax shall be paid over to the department by the special  
30 fuel user as hereinafter provided with respect to the taxable use of  
31 special fuel upon which the tax has not previously been imposed.

32 It is expressly provided that delivery of special fuel may be made  
33 without collecting the tax otherwise imposed, when such deliveries are  
34 made by a bonded special fuel dealer to special fuel users who are  
35 authorized by the department as hereinafter provided, to purchase fuel  
36 without payment of tax to the bonded special fuel dealer.

37 (4) The tax required by this chapter, to be collected by the  
38 seller, is held in trust by the seller until paid to the department,

1 and a seller who appropriates or converts the tax collected to his or  
2 her own use or to any use other than the payment of the tax to the  
3 extent that the money required to be collected is not available for  
4 payment on the due date as prescribed in this chapter is guilty of a  
5 felony, or gross misdemeanor in accordance with the theft and  
6 anticipatory provisions of Title 9A RCW. A person, partnership,  
7 corporation, or corporate officer who fails to collect the tax imposed  
8 by this section, or who has collected the tax and fails to pay it to  
9 the department in the manner prescribed by this chapter, is personally  
10 liable to the state for the amount of the tax.

11 **Sec. 8.** RCW 82.38.110 and 1988 c 122 s 2 are each amended to read  
12 as follows:

13 Application for a special fuel dealer's license(~~(, special fuel~~  
14 ~~supplier's license,)) or a special fuel user's license shall be made to~~  
15 the department. The application shall be filed upon a form prepared  
16 and furnished by the department and shall contain such information as  
17 the department deems necessary.

18 Every application for a special fuel dealer's license must contain  
19 the following information to the extent it applies to the applicant:

20 (1) Proof as the department may require concerning the applicant's  
21 identity, including but not limited to his or her fingerprints or those  
22 of the officers of a corporation making the application;

23 (2) The applicant's form and place of organization including proof  
24 that the individual, partnership, or corporation is licensed to do  
25 business in this state;

26 (3) The qualification and business history of the applicant and any  
27 partner, officer, or director;

28 (4) The applicant's financial condition or history including a bank  
29 reference and whether the applicant or any partner, officer, or  
30 director has ever been adjudged bankrupt or has an unsatisfied judgment  
31 in a federal or state court;

32 (5) Whether the applicant has been adjudged guilty of a crime that  
33 directly relates to the business for which the license is sought and  
34 the time elapsed since the conviction is less than ten years, or has  
35 suffered a judgment within the preceding five years in a civil action  
36 involving fraud, misrepresentation, or conversion and in the case of a  
37 corporation or partnership, all directors, officers, or partners.

1       After receipt of an application for a license, the director may  
2 conduct an investigation to determine whether the facts set forth are  
3 true. The director may require a fingerprint record check of the  
4 applicant through the Washington state patrol criminal identification  
5 system and the federal bureau of investigation before issuance of a  
6 license. The results of the background investigation including  
7 criminal history information may be released to authorized department  
8 personnel as the director deems necessary. The department shall charge  
9 a license holder or license applicant a fee of fifty dollars for each  
10 background investigation conducted.

11       An applicant who makes a false statement of a material fact on the  
12 application may be prosecuted for false swearing as defined by RCW  
13 9A.72.040.

14       No special fuel dealer's license may be issued to any person or  
15 continued in force unless such person has furnished bond, as defined in  
16 RCW 82.38.020, in such form as the department may require, to secure  
17 his or her compliance with this chapter, and the payment of any and all  
18 taxes, interest, and penalties due and to become due hereunder. The  
19 requirement of furnishing a bond shall be waived for special fuel  
20 dealers who only deliver special fuel into the fuel tanks of marine  
21 vessels.

22       The department may require a special fuel user to post a bond if  
23 the special fuel user, after having been licensed, has failed to file  
24 timely reports or has failed to remit taxes due, or when an  
25 investigation or audit indicates problems severe enough that the  
26 department, in its discretion, determines that a bond is required to  
27 protect the interests of the state. The department may also adopt  
28 rules prescribing conditions that, in the department's discretion,  
29 require a bond to protect the interests of the state.

30       The total amount of the bond or bonds required of any special fuel  
31 dealer or special fuel user shall be equivalent to three times the  
32 estimated monthly fuel tax, determined in such manner as the department  
33 may deem proper: PROVIDED, That those special fuel dealers having held  
34 a special fuel license for five or more years without having said  
35 license suspended or revoked by the department shall be permitted to  
36 reduce the amount of their bond to twice the estimated monthly tax  
37 liability: PROVIDED FURTHER, That the total amount of the bond or  
38 bonds shall never be less than five hundred dollars nor more than fifty  
39 thousand dollars.

1       **Sec. 9.** RCW 82.38.120 and 1995 c 274 s 21 are each amended to read  
2 as follows:

3       Upon receipt and approval of an application and bond, if required,  
4 the department shall issue to the applicant a license to act as a  
5 special fuel dealer or a special fuel user. However, the department  
6 may refuse to issue a special fuel dealer's license or a special fuel  
7 user's license to any person:

8       (1) Who formerly held either type of license which, prior to the  
9 time of filing for application, has been revoked for cause;

10       (2) Who is a subterfuge for the real party in interest whose  
11 license prior to the time of filing for application, has been revoked  
12 for cause;

13       (3) Who, as an individual licensee, or officer, director, owner, or  
14 managing employee of a nonindividual licensee, has had a special fuel  
15 license revoked for cause;

16       (4) Who has an unsatisfied debt to the state assessed under either  
17 chapter 82.36, 82.38, or 46.87 RCW; ((or))

18       (5) Who formerly held as an individual, officer, director, owner,  
19 managing employee of a nonindividual licensee, or subterfuge for a real  
20 party in interest, a license issued by the federal government or a  
21 state that allowed a person to buy or sell untaxed motor vehicle or  
22 special fuel, which license, before the time of filing for application,  
23 has been revoked for cause;

24       (6) Who pled guilty to or was convicted as an individual, officer,  
25 director, owner, or managing employee of a nonindividual licensee in  
26 this or any other state or in any federal jurisdiction of a gross  
27 misdemeanor or felony crime directly related to the business or has  
28 been subject to a civil judgment involving fraud, misrepresentation,  
29 conversion, or dishonesty, notwithstanding chapter 9.96A RCW;

30       (7) Who misrepresented or concealed a material fact in obtaining a  
31 license or in reinstatement thereof;

32       (8) Who violated a statute or administrative rule regulating fuel  
33 taxation or distribution;

34       (9) Who failed to cooperate with the department's investigations  
35 by:

36       (a) Not furnishing papers or documents;

37       (b) Not furnishing in writing a full and complete explanation  
38 regarding a matter under investigation by the department; or

1        (c) Not responding to subpoenas issued by the department, whether  
2 or not the recipient of the subpoena is the subject of the proceeding;  
3        (10) Who failed to comply with an order issued by the director; or  
4        (11) Upon other sufficient cause being shown.

5        Before such refusal, the department shall grant the applicant a  
6 hearing and shall grant the applicant at least ~~((five))~~ twenty days  
7 written notice of the time and place thereof.

8        The department shall determine from the information shown in the  
9 application or other investigation the kind and class of license to be  
10 issued. For the purpose of considering any application for a special  
11 fuel dealer's license, the department may inspect, cause an inspection,  
12 investigate, or cause an investigation of the records of this or any  
13 other state or of the federal government to ascertain the veracity of  
14 the information on the application form and the applicant's criminal  
15 and licensing history.

16        All licenses shall be posted in a conspicuous place or kept  
17 available for inspection at the principal place of business of the  
18 owner thereof. License holders shall reproduce the license by  
19 photostat or other method and keep a copy on display for ready  
20 inspection at each additional place of business or other place of  
21 storage from which special fuel is sold, delivered or used and in each  
22 motor vehicle used by the license holder to transport special fuel  
23 purchased by him or her for resale, delivery or use. Every licensed  
24 special fuel user operating a motor vehicle registered in a  
25 jurisdiction other than this state shall reproduce the license and  
26 carry a photocopy thereof with each motor vehicle being operated upon  
27 the highways of this state.

28        A special fuel dealer may use special fuel in motor vehicles owned  
29 or operated by the dealer without securing a license as a special fuel  
30 user but the dealer is subject to all other conditions, requirements,  
31 and liabilities imposed herein upon a special fuel user.

32        Each special fuel dealer's license and special fuel user's license  
33 shall be valid until the expiration date if shown on the license, or  
34 until suspended or revoked for cause or otherwise canceled.

35        No special fuel dealer's license or special fuel user's license  
36 shall be transferable.

37        **Sec. 10.** RCW 82.38.140 and 1995 c 274 s 22 are each amended to  
38 read as follows:

1 (1) Every special fuel dealer, special fuel user, and every person  
2 importing, manufacturing, refining, dealing in, transporting, or  
3 storing special fuel in this state shall keep for a period of not less  
4 than (~~three~~) five years open to inspection at all times during the  
5 business hours of the day to the department or its authorized  
6 representatives, a complete record of all special fuel purchased or  
7 received and all of such products sold, delivered, or used by them.  
8 Such records shall show:

9 (a) The date of each receipt;

10 (b) The name and address of the person from whom purchased or  
11 received;

12 (c) The number of gallons received at each place of business or  
13 place of storage in the state of Washington;

14 (d) The date of each sale or delivery;

15 (e) The number of gallons sold, delivered, or used for taxable  
16 purposes;

17 (f) The number of gallons sold, delivered, or used for any purpose  
18 not subject to the tax imposed herein;

19 (g) The name, address, and special fuel license number of the  
20 purchaser if the special fuel tax is not collected on the sale or  
21 delivery;

22 (h) The inventories of special fuel on hand at each place of  
23 business at the end of each month.

24 (2)(a) All special fuel users using special fuel in vehicles  
25 licensed for highway operation shall maintain detailed mileage records  
26 on an individual vehicle basis.

27 (b) Such operating records shall show both on-highway and off-  
28 highway usage of special fuel on a daily basis for each vehicle.

29 (3) Persons using special fuel for heating purposes only are not  
30 required to maintain records of fuel usage.

31 (4) Invoices shall be prepared for sales and deliveries of special  
32 fuel in the manner and containing such information as may be prescribed  
33 by the department.

34 Every special fuel dealer or special fuel user making such sales or  
35 deliveries of special fuel and every person so receiving and purchasing  
36 special fuel must each retain one copy of each such invoice as part of  
37 the dealer's permanent records for the time and purposes above  
38 provided.



1 (5) Every special fuel user shall keep, in addition to the dealer's  
2 records of deliveries into motor vehicles, a complete record as  
3 prescribed by the department of the total gallons of special fuel used  
4 for other purposes during each month and the purposes for which said  
5 special fuel was used.

6 (6) Subsections (1)(f), (2)(b), and (5) of this section do not  
7 apply to special fuel users when the special fuel is used off-highway  
8 in farming, construction, or logging operations. Upon filing a special  
9 fuel user tax report, every such special fuel user shall certify and  
10 bear the burden of proof as to the number of gallons of special fuel  
11 used off-highway.

12 **Sec. 11.** RCW 82.38.150 and 1995 c 274 s 23 are each amended to  
13 read as follows:

14 For the purpose of determining the amount of liability for the tax  
15 herein imposed, and to periodically update license information, each  
16 special fuel dealer and each special fuel user shall file tax reports  
17 with the department, on forms prescribed by the department. Special  
18 fuel dealers shall file the reports at the intervals as shown in the  
19 following schedule:

20	Estimated Yearly	
21	Tax Liability	Reporting Frequency
22	\$ 0 - \$100	Yearly
23	\$101 - 250	Semi-yearly
24	\$251 - 499	Quarterly
25	\$500 and over	Monthly

26 Special fuel users whose estimated yearly tax liability is two  
27 hundred fifty dollars or less, shall file a report yearly, and special  
28 fuel users whose estimated yearly tax liability is more than two  
29 hundred fifty dollars, shall file reports quarterly.

30 The department shall establish the reporting frequency for each  
31 applicant at the time the special fuel license is issued. If it  
32 becomes apparent that any special fuel licensee is not reporting in  
33 accordance with the above schedule, the department shall change the  
34 licensee's reporting frequency by giving thirty days' notice to the  
35 licensee by mail to the licensee's address of record. A report shall  
36 be filed with the department even though no special fuel was used, or  
37 tax is due, for the reporting period. Each tax report shall contain a

1 declaration by the person making the same, to the effect that the  
2 statements contained therein are true and are made under penalties of  
3 perjury, which declaration shall have the same force and effect as a  
4 verification of the report and is in lieu of such verification. The  
5 report shall show such information as the department may reasonably  
6 require for the proper administration and enforcement of this chapter.  
7 For counties within which an additional excise tax on special fuel has  
8 been levied by that jurisdiction under RCW 82.80.010, the report must  
9 show the quantities of special fuel sold, distributed, or withdrawn  
10 from bulk storage by the reporting dealer or user within the county's  
11 boundaries and the tax liability from its levy. The special fuel  
12 dealer or special fuel user shall file the report on or before the  
13 twenty-fifth day of the next succeeding calendar month following the  
14 period to which it relates.

15 Subject to the written approval of the department, tax reports may  
16 cover a period ending on a day other than the last day of the calendar  
17 month. Taxpayers granted approval to file reports in this manner will  
18 file such reports on or before the twenty-fifth day following the end  
19 of the reporting period. No change to this reporting period will be  
20 made without the written authorization of the department.

21 If the final filing date falls on a Saturday, Sunday, or legal  
22 holiday the next secular or business day shall be the final filing  
23 date. Such reports shall be considered filed or received on the date  
24 shown by the post office cancellation mark stamped upon an envelope  
25 containing such report properly addressed to the department, or on the  
26 date it was mailed if proof satisfactory to the department is available  
27 to establish the date it was mailed.

28 The department, if it deems it necessary in order to insure payment  
29 of the tax imposed by this chapter, or to facilitate the administration  
30 of this chapter, has the authority to require the filing of reports and  
31 tax remittances at shorter intervals than one month if, in its opinion,  
32 an existing bond has become insufficient.

33 The department may permit any special fuel user whose sole use of  
34 special fuel is in motor vehicles or equipment exempt from tax as  
35 provided in RCW 82.38.075 and 82.38.080 (1), (2), (3), (8), and (9), in  
36 lieu of the reports required in this section, to submit reports  
37 annually or as requested by the department, in such form as the  
38 department may require.

1 A special fuel user whose sole use of special fuel is for purposes  
2 other than the propulsion of motor vehicles upon the public highways of  
3 this state shall not be required to submit the reports required in this  
4 section.

5 **Sec. 12.** RCW 82.38.170 and 1995 c 274 s 24 are each amended to  
6 read as follows:

7 (1) If any special fuel dealer or special fuel user fails to pay  
8 any taxes collected or due the state of Washington by said dealer or  
9 user within the time prescribed by RCW 82.38.150 and 82.38.160, said  
10 dealer or user shall pay in addition to such tax a penalty of ten  
11 percent of the amount thereof.

12 (2) If it be determined by the department that the tax reported by  
13 any special fuel dealer or special fuel user is deficient it may  
14 proceed to assess the deficiency on the basis of information available  
15 to it and there shall be added to this deficiency a penalty of ten  
16 percent of the amount of the deficiency.

17 (3) If any special fuel dealer or special fuel user, whether or not  
18 he or she is licensed as such, fails, neglects, or refuses to file a  
19 special fuel tax report, the department may, on the basis of  
20 information available to it, determine the tax liability of the special  
21 fuel dealer or the special fuel user for the period during which no  
22 report was filed, and to the tax as thus determined, the department  
23 shall add the penalty and interest provided in subsection (2) of this  
24 section. An assessment made by the department pursuant to this  
25 subsection or to subsection (2) of this section shall be presumed to be  
26 correct, and in any case where the validity of the assessment is drawn  
27 in question, the burden shall be on the person who challenges the  
28 assessment to establish by a fair preponderance of the evidence that it  
29 is erroneous or excessive as the case may be.

30 (4) If any special fuel dealer or special fuel user shall establish  
31 by a fair preponderance of evidence that his or her failure to file a  
32 report or pay the proper amount of tax within the time prescribed was  
33 due to reasonable cause and was not intentional or willful, the  
34 department may waive the penalty prescribed in subsections (1), (2),  
35 and (3) of this section.

36 (5) If any special fuel dealer or special fuel user shall file a  
37 false or fraudulent report with intent to evade the tax imposed by this  
38 chapter, there shall be added to the amount of deficiency determined by

1 the department a penalty equal to twenty-five percent of the  
2 deficiency, in addition to the penalty provided in subsection (2) of  
3 this section and all other penalties prescribed by law.

4 (6) Any fuel tax, penalties, and interest payable under this  
5 chapter shall bear interest at the rate of one percent per month, or  
6 fraction thereof, from the first day of the calendar month after the  
7 amount or any portion thereof should have been paid until the date of  
8 payment: PROVIDED, That the department may waive the interest when it  
9 determines that the cost of processing the collection of the interest  
10 exceeds the amount of interest due.

11 (7) Except in the case of violations of filing a false or  
12 fraudulent report, if the department deems mitigation of penalties and  
13 interest to be reasonable and in the best interests of carrying out the  
14 purpose of this chapter, it may mitigate such assessments upon whatever  
15 terms the department deems proper, giving consideration to the degree  
16 and extent of the lack of records and reporting errors. The department  
17 may ascertain the facts regarding recordkeeping and payment penalties  
18 in lieu of more elaborate proceedings under this chapter.

19 (8) Except in the case of a fraudulent report or of neglect or  
20 refusal to make a report, every deficiency shall be assessed under  
21 subsection (2) of this section within (~~three~~) five years from the  
22 twenty-fifth day of the next succeeding calendar month following the  
23 reporting period for which the amount is proposed to be determined or  
24 within (~~three~~) five years after the return is filed, whichever period  
25 expires the later.

26 (9) Any special fuel dealer or special fuel user against whom an  
27 assessment is made under the provisions of subsections (2) or (3) of  
28 this section may petition for a reassessment thereof within thirty days  
29 after service upon the special fuel dealer or special fuel user of  
30 notice thereof. If such petition is not filed within such thirty day  
31 period, the amount of the assessment becomes final at the expiration  
32 thereof.

33 If a petition for reassessment is filed within the thirty day  
34 period, the department shall reconsider the assessment and, if the  
35 special fuel dealer or special fuel user has so requested in his or her  
36 petition, shall grant such special fuel dealer or special fuel user an  
37 oral hearing and give the special fuel dealer or special fuel user ten  
38 days' notice of the time and place thereof. The department may  
39 continue the hearing from time to time. The decision of the department

1 upon a petition for reassessment shall become final thirty days after  
2 service upon the special fuel dealer or special fuel user of notice  
3 thereof.

4 Every assessment made by the department shall become due and  
5 payable at the time it becomes final and if not paid to the department  
6 when due and payable, there shall be added thereto a penalty of ten  
7 percent of the amount of the tax.

8 (10) Any notice of assessment required by this section shall be  
9 served personally or by mail; if by mail, service shall be made by  
10 depositing such notice in the United States mail, postage prepaid  
11 addressed to the special fuel dealer or special fuel user at his or her  
12 address as the same appears in the records of the department.

13 (11) Any licensee who has had either their special fuel user  
14 license or special fuel dealer license, or both, revoked shall pay a  
15 one hundred dollar penalty prior to the issuance of a new license.

16 (12) Any person who, upon audit or investigation by the department,  
17 is found to have not paid special fuel taxes as required by this  
18 chapter shall be subject to cancellation of all vehicle registrations  
19 for vehicles utilizing special fuel as a means of propulsion. Any  
20 unexpired Washington tonnage on the vehicles in question may be  
21 transferred to a purchaser of the vehicles upon application to the  
22 department who shall hold such tonnage in its custody until a sale of  
23 the vehicle is made or the tonnage has expired.

24 **Sec. 13.** RCW 82.42.020 and 1982 1st ex.s. c 25 s 2 are each  
25 amended to read as follows:

26 There is hereby levied, and there shall be collected by every  
27 distributor of aircraft fuel, an excise tax at the rate computed under  
28 RCW 82.42.025 on each gallon of aircraft fuel sold, delivered or used  
29 in this state: PROVIDED HOWEVER, That such aircraft fuel excise tax  
30 shall not apply to fuel for aircraft that both operate from a private,  
31 non-state-funded airfield during at least ninety-five percent of the  
32 aircraft's normal use and are used principally for the application of  
33 pesticides, herbicides, or other agricultural chemicals: PROVIDED  
34 FURTHER, That there shall be collected from every consumer or user of  
35 aircraft fuel either the use tax imposed by RCW 82.12.020, as amended,  
36 or the retail sales tax imposed by RCW 82.08.020, as amended,  
37 collection procedure to be as prescribed by law and/or rule or  
38 regulation of the department of revenue. The taxes imposed by this

1 chapter shall be collected and paid to the state but once in respect to  
2 any aircraft fuel.

3 The tax required by this chapter, to be collected by the seller, is  
4 held in trust by the seller until paid to the department, and a seller  
5 who appropriates or converts the tax collected to his or her own use or  
6 to any use other than the payment of the tax to the extent that the  
7 money required to be collected is not available for payment on the due  
8 date as prescribed in this chapter is guilty of a felony, or gross  
9 misdemeanor in accordance with the theft and anticipatory provisions of  
10 Title 9A RCW. A person, partnership, corporation, or corporate officer  
11 who fails to collect the tax imposed by this section, or who has  
12 collected the tax and fails to pay it to the department in the manner  
13 prescribed by this chapter, is personally liable to the state for the  
14 amount of the tax.

15 **Sec. 14.** RCW 82.42.040 and 1982 1st ex.s. c 25 s 5 are each  
16 amended to read as follows:

17 The director shall by rule and regulation adopted as provided in  
18 chapter 34.05 RCW (Administrative Procedure Act) set up the necessary  
19 administrative procedure for collection by the department of the  
20 aircraft fuel excise tax as provided for in RCW 82.42.020, placing the  
21 responsibility of collection of said tax upon every distributor of  
22 aircraft fuel within the state; he may require the licensing of every  
23 distributor of aircraft fuel and shall require such a corporate surety  
24 bond or security of any distributor or person not otherwise bonded  
25 under provisions of chapter 82.36 RCW as is provided for distributors  
26 of motor vehicle fuel under RCW 82.36.060; he shall provide such forms  
27 and may require such reports or statements as in his determination  
28 shall be necessary for the proper administration of this chapter. The  
29 director may require such records to be kept, and for such periods of  
30 time, as deemed necessary for the administration of this chapter, which  
31 records shall be available at all times for the director or his  
32 representative who may require a statement under oath as to the  
33 contents thereof.

34 Every application for a distributor's license must contain the  
35 following information to the extent it applies to the applicant:

36 (1) Proof as the department may require concerning the applicant's  
37 identity, including but not limited to his or her fingerprints or those  
38 of the officers of a corporation making the application;

1       (2) The applicant's form and place of organization including proof  
2 that the individual, partnership, or corporation is licensed to do  
3 business in this state;

4       (3) The qualification and business history of the applicant and any  
5 partner, officer, or director;

6       (4) The applicant's financial condition or history including a bank  
7 reference and whether the applicant or any partner, officer, or  
8 director has ever been adjudged bankrupt or has an unsatisfied judgment  
9 in a federal or state court;

10       (5) Whether the applicant has been adjudged guilty of a crime that  
11 directly relates to the business for which the license is sought and  
12 the time elapsed since the conviction is less than ten years, or has  
13 suffered a judgment within the preceding five years in a civil action  
14 involving fraud, misrepresentation, or conversion and in the case of a  
15 corporation or partnership, all directors, officers, or partners.

16       After receipt of an application for a license, the director may  
17 conduct an investigation to determine whether the facts set forth are  
18 true. The director may require a fingerprint record check of the  
19 applicant through the Washington state patrol criminal identification  
20 system and the federal bureau of investigation before issuance of a  
21 license. The results of the background investigation including  
22 criminal history information may be released to authorized department  
23 personnel as the director deems necessary. The department shall charge  
24 a license holder or license applicant a fee of fifty dollars for each  
25 background investigation conducted.

26       An applicant who makes a false statement of a material fact on the  
27 application may be prosecuted for false swearing as defined by RCW  
28 9A.72.040.

29       **Sec. 15.** RCW 82.42.060 and 1969 ex.s. c 254 s 5 are each amended  
30 to read as follows:

31       The amount of aircraft fuel excise tax imposed under RCW 82.42.020  
32 for each month shall be paid to the director on or before the twenty-  
33 fifth day of the month thereafter, and if not paid prior thereto, shall  
34 become delinquent at the close of business on that day, and a penalty  
35 of ten percent of such excise tax must be added thereto for  
36 delinquency. Any aircraft fuel tax, penalties, and interest payable  
37 under the provisions of this chapter shall bear interest at the rate of  
38 one percent per month, or fraction thereof, from the first day of the

1 calendar month after the close of the monthly period for which the  
2 amount or any portion thereof should have been paid until the date of  
3 payment. RCW 82.36.070 applies to the issuance, refusal, or revocation  
4 of a license issued under this chapter. The provisions of RCW  
5 82.36.110 relating to a lien for taxes, interests or penalties due,  
6 shall be applicable to the collection of the aircraft fuel excise tax  
7 provided in RCW 82.42.020, and the provisions of RCW 82.36.120,  
8 82.36.130 and 82.36.140 shall apply to any distributor of aircraft fuel  
9 with respect to the aircraft fuel excise tax imposed under RCW  
10 82.42.020.

11 **Sec. 16.** RCW 82.42.080 and 1982 1st ex.s. c 25 s 7 are each  
12 amended to read as follows:

13 Any person violating any provision of this chapter or any rule or  
14 regulation of the director promulgated hereunder, or making any false  
15 statement, or concealing any material fact in any report, statement,  
16 record or claim, or who commits any act with intent to avoid payment of  
17 the aircraft fuel excise tax imposed by this chapter, or who conspires  
18 with another person with intent to interfere with the orderly  
19 collection of such tax due and owing under this chapter, (~~shall be~~)  
20 is guilty of a gross misdemeanor.

21 NEW SECTION. **Sec. 17.** By December 31, 1996, the department of  
22 licensing shall implement a PC or server-based data base of fuel dealer  
23 and distributor license application information.

24 NEW SECTION. **Sec. 18.** By July 1, 1996, the department of  
25 licensing shall establish a fuel tax advisory group comprised of state  
26 agency and petroleum industry representatives to develop or recommend  
27 audit and investigation techniques, changes to fuel tax statutes and  
28 rules, information protocols that allow sharing of information with  
29 other states, and other tools that improve fuel tax administration or  
30 combat fuel tax evasion.

31 NEW SECTION. **Sec. 19.** The department of licensing, in cooperation  
32 with the code reviser, shall propose and submit to the legislative  
33 transportation committee by December 1, 1996, draft language to merge  
34 chapters 82.36, 82.38, and 82.42 RCW.



Passed the Senate February 13, 1996.  
Passed the House February 29, 1996.  
Approved by the Governor March 15, 1996.  
Filed in Office of Secretary of State March 15, 1996.