

SENATE BILL REPORT

SB 6086

As of February 27, 2007

Title: An act relating to providing excise tax relief for purchases of diesel fuel for use in commercial fishing.

Brief Description: Modifying provisions regarding the sales and use tax exemptions for purchases of diesel fuel used in commercial fishing.

Sponsors: Senators Spanel, Rasmussen, Brandland, Jacobsen, Honeyford, Hatfield, Kohl-Welles, Clements, Hargrove and Shin.

Brief History:

Committee Activity: Ways & Means: 2/26/07.

SENATE COMMITTEE ON WAYS & MEANS

Staff: Dianne Criswell (786-7433)

Background: Sales tax is imposed on the retail sales of most items of tangible personal property and some services. The use tax is imposed on the privilege of using tangible personal property or services in instances where the sales tax does not apply. Sales and use taxes are levied by the state, counties, and cities, and total rates vary from 7 to 8.9 percent.

Motor vehicle fuel (gasoline) and special fuel (primarily diesel) are exempt from sales and use tax when the motor vehicle and special fuel taxes apply. Special fuel used for off-road business purposes is exempt from the special fuel tax. However, the off-road fuel is subject to retail sales or use tax. The sales tax is either collected directly by fuel distributors who deliver fuel for off-road use or is deducted from the refund of fuel taxes when application is made for a refund to the Department of Licensing.

There are exemptions from retail sales and use tax on diesel used in the operation of watercraft in commercial deep sea fishing operations or commercial passenger fishing boat operations. The administrative rule implementing this exemption defined "commercial deep sea fishing" as fishing done for profit outside the territorial waters of Washington State. The rule defines "commercial passenger fishing" as fishing done from charter boats for sport outside the territorial waters of Washington State.

Summary of Bill: Persons engaged in commercial fishing operations and commercial passenger fishing boat operations, both within and outside the territorial waters of Washington State, are exempt from sales and use tax on diesel fuel.

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.

Appropriation: None.

Fiscal Note: Requested on February 19, 2007.

Committee/Commission/Task Force Created: No.

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

Staff Summary of Public Testimony: PRO: Last year, the Legislature passed a sales tax exemption for diesel used on farms. In many ways, commercial fishing is like farming. There are a lot of commercial fishing operations in Washington that are being effected by rising fuel prices and other forces that make it difficult to make a living. The people in Washington State value the great fresh fish that come from this Washington industry. Passing this exemption would encourage fairness in the tax code by creating consistent treatment with farmers.

Persons Testifying: PRO: Senator Harriet Spanel, prime sponsor; Joe Verdoes, Puget Sound Crab Association; Ed Owens, Coalition of Coastal Fisheries.