

# HOUSE BILL REPORT

## HB 2387

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*As Reported By House Committee on:  
Revenue*

**Title:** An act relating to tax exemptions for alcohol fuel production.

**Brief Description:** Extending tax exemptions for alcohol fuel production.

**Sponsor(s):** Representatives Chandler, R. Meyers, Nealey, Rasmussen, McLean, R. Fisher, Hochstatter, Ferguson, Prince and Moyer.

**Brief History:**

Reported by House Committee on:  
Revenue, February 8, 1992, DP.

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**HOUSE COMMITTEE ON  
REVENUE**

**Majority Report:** *Do pass.* Signed by 10 members: Representatives Fraser, Vice Chair; Brumsickle, Ranking Minority Member; Wynne, Assistant Ranking Minority Member; Belcher; Carlson; Day; Leonard; Morris; Morton; and Silver.

**Minority Report:** *Do not pass.* Signed by 1 member: Representative Rust.

**Staff:** Robin Appleford (786-7093).

**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 principle 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 property used for private purposes that is also exempt from property taxation. 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 exempted 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-based motor vehicle fuel (gasohol) until December 31, 1992. Property used in the production of gasohol, 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 of Bill:** The termination date for B&O, property, and leasehold excise tax exemptions is extended until December 31, 1999.

**Fiscal Note:** Available.

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

**Testimony For:** New cars will be required to comply with federal clean air standards, and many manufacturers will start making vehicles that use gasohol. Gasohol is gaining public acceptance, but the state should continue the tax exemptions to encourage the industry. Gasohol will reduce the country's dependence on foreign oil.

**Testimony Against:** None.

**Witnesses:** Representative Gary Chandler, Prime Sponsor; Mike Ryherd, Time Oil Company; and Ray Thacker, Northwest Agri-Products (all in favor).