

HOUSE BILL REPORT

ESB 5342

As Reported By House Committee On:
Transportation

Title: An act relating to the tax exemption and tax credit for alcohol used as fuel.

Brief Description: Repealing the tax credit and exemption for alcohol used as fuel.

Sponsors: Senators Vognild and Skratek; by request of Department of Transportation.

Brief History:

Reported by House Committee on:
Transportation, April 13, 1993, DPA.

HOUSE COMMITTEE ON TRANSPORTATION

Majority Report: Do pass as amended. Signed by 26 members: Representatives R. Fisher, Chair; Brown, Vice Chair; Jones, Vice Chair; Schmidt, Ranking Minority Member; Mielke, Assistant Ranking Minority Member; Brough; Brumsickle; Cothorn; Eide; Finkbeiner; Forner; Hansen; Heavey; Horn; Johanson; J. Kohl; R. Meyers; Miller; H. Myers; Orr; Patterson; Quall; Sheldon; Shin; Wood; and Zellinsky.

Staff: Roger Horn (786-7839).

Background: In 1980 and 1981, legislation was passed that exempts alcohol used in motor fuel from the motor fuel tax and, in addition, provides a tax credit of 60 percent of the amount of tax exempted if the alcohol/gasoline mixture (gasohol) contains at least 9.5 percent alcohol by volume. For example, a gallon of gasohol with 10 percent ethanol would receive a tax exemption of 2.3 cents per gallon on the 23-cent gas tax and a tax credit of 1.38 cents per gallon.

The gasohol exemption and credit were scheduled to sunset in 1992, but were extended to 1999 in legislation passed during the 1991 Legislative Session.

Pursuant to the provisions of the 1990 Federal Clean Air Act amendments, the use of fuel oxygenated with ethanol or ether-based additives is now required in King, Pierce, Snohomish and Clark counties from November through February and in Spokane County from September through February. The

required level of additive for oxygenation is 2.7 percent by weight, which translates to 7.7 percent by volume for gasohol. The fuel tax exemption for alcohol does not extend to ether-based additives, although the exemption does apply to alcohol used as a feedstock in the production of ether-based additives.

The Department of Ecology (DOE) has passed a Washington Administrative Code rule to require all counties in Western Washington to comply with the federal requirements for oxygenation of gasoline starting in 1994. However, at the request of industry, DOE is reevaluating whether to implement this rule.

The federal government provides a gasohol exemption on the 14-cent federal gas tax ranging from 3.0 cents to 5.4 cents per gallon depending on alcohol content.

Summary of Amended Bill: RCW 82.36.225, which provides a fuel tax exemption and credit for alcohol used in motor vehicle fuel, is repealed. A new section is added to Chapter 82.36 RCW that provides for a fuel tax exemption and credit at the same levels as in the repealed section, but available only for alcohol purchased from a company that sold less than 8 million gallons of alcohol for use as motor fuel in the prior year.

Amended Bill Compared to Engrossed Bill: Technical amendments clarify that the gasohol credit, as well as the exemption, are available only for alcohol manufactured by small companies.

Fiscal Note: Available.

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

Testimony For: The provision to retain the exemption and credit for alcohol produced by small companies will provide an important economic benefit to agricultural interests in this state.

Testimony Against: None.

Witnesses: Dan Coyne, Washington Council of Farmer Cooperatives.