

**FINAL BILL REPORT**

**ESB 5342**

**C 268 L 93**

**SYNOPSIS AS ENACTED**

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

**SPONSORS:** Senators Vognild and Skratek; by request of Department of Transportation

**SENATE COMMITTEE ON TRANSPORTATION**

**HOUSE COMMITTEE ON TRANSPORTATION**

**BACKGROUND:**

In 1980 and 1981, legislation was passed that exempted alcohol used in motor fuel from the motor fuel tax and, in addition, provided a tax credit of 60 percent of the amount of tax exempted if the alcohol/gasoline mixture (gasohol) contained at least 9.5 percent alcohol by volume.

The gasohol exemption and credit was scheduled to sunset in 1992, but was 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 alcohol 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 about 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) developed a rule requiring all counties in western Washington to comply with the federal requirements for oxygenation of gasoline starting in November 1994. However, at the request of industry, DOE is reevaluating whether to implement this rule.

The federal government provides a gasohol exemption on the 14.1 cent federal gas tax ranging from 3.0 cents to 5.4 cents per gallon depending on alcohol content.

**SUMMARY:**

The fuel tax exemption and credit for alcohol used in motor vehicle fuel is repealed. A new section is added to Chapter 82.36 RCW creating a fuel tax exemption and credit only for alcohol manufactured by a company that sold less than eight million gallons of alcohol for use as motor fuel in the prior year.

**VOTES ON FINAL PASSAGE:**

Senate	37	11	
House	96	0	(House amended)
Senate	31	13	(Senate concurred)

**EFFECTIVE:** July 25, 1993