

SENATE BILL REPORT

ESB 5342

AS PASSED SENATE, APRIL 9, 1993

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

Majority Report: Do pass as amended.

Signed by Senators Vognild, Chairman; Loveland, Vice Chairman; Skratek, Vice Chairman; Drew, Haugen, Prentice, M. Rasmussen, and Sheldon.

Minority Report: Do not pass.

Signed by Senators Barr, Nelson, Oke, Prince, Sellar, von Reichbauer, and Winsley.

Staff: Roger Horn (786-7839)

Hearing Dates: February 3, 1993; February 18, 1993

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 has passed a WAC rule to require 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:

RCW 82.36.225, which provides a fuel tax exemption and credit for alcohol used in motor vehicle fuel, is repealed.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section is added to Chapter 82.36 RCW that provides for a fuel tax exemption and credit at the same levels as in the repealed section, but available only for alcohol manufactured by a company that sold less than eight million gallons of alcohol for use as motor fuel in the prior year.

Appropriation: none

Revenue: yes

Fiscal Note: available

TESTIMONY FOR:

The gasohol exemption and credit is not necessary because state law requires the use of oxygenated fuel in the most populated counties of the state during several months of the year. The exemption and credit reduce gas tax revenues used by state agencies, counties, and cities by about \$25 million a year. Vehicles have the same impact on roads whether they use gasoline with alcohol or without alcohol.

TESTIMONY AGAINST:

Removing the gasohol exemption and credit would hurt those companies that chose to produce alcohol due to this incentive and the farmers who sell agricultural products used to produce the alcohol.

TESTIFIED: Helga Morgenstern, Department of Transportation (pro); Eric Berger, County Road Administration Board (pro); Craig Olsen, Association of Washington Cities (pro); Mike Ryherd, Time Oil Company (con); Mary Clogston, Tax Fairness Campaign (pro)

HOUSE AMENDMENT(S):

Technical amendments clarify that the gasohol credit, as well as the exemption, are available only for alcohol manufactured by small companies.