

SENATE BILL REPORT

SB 5660

As Reported By Senate Committee On:
Transportation, February 27, 2001

Title: An act relating to the taxation of fuel.

Brief Description: Modifying the taxation of fuel.

Sponsors: Senators Haugen and Horn; by request of Department of Licensing.

Brief History:

Committee Activity: Transportation: 2/19/01, 2/27/01 [DPS].

SENATE COMMITTEE ON TRANSPORTATION

Majority Report: That Substitute Senate Bill No. 5660 be substituted therefor, and the substitute bill do pass.

Signed by Senators Haugen, Chair; Gardner, Vice Chair; Benton, Finkbeiner, Horn, Jacobsen, Kastama, McAuliffe, McDonald, Oke, Patterson, Prentice, Shin and Swecker.

Staff: Dean Carlson (786-7305)

Background: Prior to 1999, taxes on motor fuel were collected by the Department of Licensing (DOL) from fuel distributors. In 1996, the Legislative Transportation Committee concluded that significant fuel tax evasion was occurring in Washington, and recommended several options to address the issue. In 1998, the Legislature enacted SHB 2659, which imposed fuel taxes at the time of removal of such fuel from the terminal rack in Washington. This is referred to as tax-at-the-rack.– The taxes are remitted to DOL.

Licensed suppliers are authorized to engage in tax-free transactions within the bulk transfer terminal system under the tax-at-the-rack– fuel tax structure. However, SHB 2659 did not specifically limit the authority to engage in tax-free transactions within the bulk transfer terminal system to licensed suppliers only. Consequently, companies not licensed as suppliers have the ability to conduct such transactions.

Summary of Substitute Bill: Technical corrections are made to the motor vehicle fuel tax and special fuel tax statutes. The definition of motor vehicle fuel supplier– is amended to conform to federal regulations. The term position holder– is changed to licensed supplier.– The statute is changed to clarify that motor vehicle fuel and special fuel sold by a licensed supplier to a distributor, importer, or blender is a taxable event.

DOL may wave bonding requirements for distributors who can show they have sufficient resources, assets or financial instruments to pay the taxes.

Substitute Bill Compared to Original Bill: A provision is added that allows the Department of Licensing to wave bonding requirements for distributors who can show they have sufficient resources, assets or financial instruments to pay the estimated taxes.

Appropriation: None.

Fiscal Note: Available.

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

Testimony For: Uniformity is created in definitions between the state and federal governments. A technical glitch is fixed.

Testimony Against: None.

Testified: Thao Manikhoth, Department of Licensing (pro); Charlie Brown, Washington Oil Marketing Association (pro w/amendment); Jeff Beach, Department of Licensing (pro, supports amendment).