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**Finance Committee**

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**HB 1882**

**Brief Description:** Modifying the business and occupation tax of wholesale sales of motor vehicle and special fuels.

**Sponsors:** Representatives Hunter, Orcutt, Ahern, Conway, McIntire and Roach.

**Brief Summary of Bill**

- Exempts from the business and occupation tax income received by a vehicle fuel distributor from another such distributor from the wholesale of petroleum products for subsequent resale.

**Hearing Date:** 2/28/05

**Staff:** Mark Matteson (786-7145).

**Background:**

*Business and Occupation Tax.* Washington's major business tax is the business and occupation (B&O) tax. The B&O tax is imposed on the gross receipts of business activities conducted within the state, without any deduction for the costs of doing business. The tax is imposed on the gross receipts from all business activities conducted within the state. Revenues are deposited in the state General Fund. A business may have more than one B&O tax rate, depending on the types of activities conducted. The tax rate for most types of businesses that make sales at wholesale is 0.484 percent.

The B&O tax does not permit deductions for the costs of doing business, such as payments for raw materials and wages of employees. Nonetheless, there are many exemptions for specific types of business activities and certain deductions and credits permitted under the B&O tax statutes. For example, wholesales of electricity are exempt from the B&O tax.

*Fuel distribution.* With the exception of certain vertically integrated firms, the distribution of gasoline, diesel, and other petroleum based fuel is conducted by independent business entities in Washington. Within the last year, at least one fuel supplier has announced that it will limit its distribution accounts to distributors that deliver five million gallons or more annually. Small distributors whose distribution volumes are less will no longer have direct access to the supplier and would be required to obtain fuel for resale from larger distributors or another source.

Distribution of gasoline, diesel and other fuels are subject to the B&O tax under the wholesaling rate.

**Summary of Bill:**

Exempts from the B&O tax amounts received by a motor vehicle fuel (i.e., gasoline) distributor or a special fuel (i.e., diesel or other combustible fuels other than gasoline) distributor from another such distributor from wholesales for subsequent resale to an end user.

**Appropriation:** None.

**Fiscal Note:** Available.

**Effective Date:** The bill takes effect 90 days after adjournment of session in which bill is passed.