

SENATE BILL REPORT

SB 5058

As Reported By Senate Committee On:
Transportation, March 3, 2005

Title: An act relating to changing the payment date of motor vehicle fuel tax and special fuel tax when paying by electronic funds transfer.

Brief Description: Changing the payment date of motor vehicle fuel tax and special fuel tax when paying by electronic funds transfer.

Sponsors: Senators Haugen, Swecker, Prentice, Jacobsen and Weinstein.

Brief History:

Committee Activity: Transportation: 2/23/05, 3/3/05 [DPS, w/oRec].

SENATE COMMITTEE ON TRANSPORTATION

Majority Report: That Substitute Senate Bill No. 5058 be substituted therefor, and the substitute bill do pass.

Signed by Senators Haugen, Chair; Jacobsen, Vice Chair; Swecker, Ranking Minority Member; Eide, Mulliken, Oke, Spanel and Weinstein.

Minority Report: That it be referred without recommendation.

Signed by Senators Benson and Esser.

Staff: David Ward (786-7341)

Background: Prior to 1998, motor vehicle fuel taxes and special fuel taxes were due on the next to the last business day of the month following the reporting period. In 1998, the Legislature enacted the "tax at the rack" fuel tax collection method. As part of that legislation, suppliers were made responsible for the payment of the tax and the payment date for those suppliers remitting fuel tax by electronic funds transfer was changed to the tenth day of the second month following the reporting period. In addition, distributors, if paying by electronic funds transfer, could elect to pay the suppliers the tax on fuel purchased up to two days before the last business day of the following month.

Currently, the payment date for those businesses that do not remit payment by electronic funds transfer is the 25th day of the month following the reporting period.

Summary of Substitute Bill: Motor vehicle fuel taxes and special fuel taxes are due the 26 day of the month following the reporting period when remitting payment by electronic funds transfer. Also, a distributor is allowed to remit fuel tax payments to a supplier seven business days before the 26 day of the month following the reporting period.

Substitute Bill Compared to Original Bill: The original bill removed the provision that allows a distributor to pay the fuel tax to a supplier two days before the last business day of the month following the reporting period. The substitute bill allows a distributor to remit fuel

tax payments to a supplier seven business days before the 26 day of the month following the reporting period.

Appropriation: None.

Fiscal Note: Available.

Committee/Commission/Task Force Created: No.

Effective Date: The bill contains an emergency clause and takes effect on July 1, 2005.

Testimony For: None.

Testimony Against: Removal of the provision governing when distributors pay suppliers removes the protection distributors currently have from big oil. With no protection from suppliers, a distributor's cash flow could be negatively impacted while they (distributors) await remittance of tax payments from retailers. Such a scenario could cost us (distributors) jobs. Distributors are small business owners and while we concluded a deal in 1998 that benefitted the state, distributors understand the state's need to collect fuel tax payments sooner than is the case under current law. Supporting an amendment allowing distributors to remit payment to suppliers on the 20th will allow distributors sufficient time to collect taxes from the many retailers we have to collect from.

Other: There is neutrality on the bill as written and an understanding of the desire to bring fuel tax payment dates in-line with the standard in other states. However, were the bill to be amended to allow distributors to wait until the 20th to remit payment to suppliers, we (suppliers) would be opposed to the bill. Such an amendment would result in the legislating of contract terms and credit worthiness. If such an amendment were to be adopted, at a minimum, suppliers would request that the Department of Licensing's ability to waive bonding requirements for distributors be eliminated.

Who Testified: CON: Dale Cooper, Wilcox Flegel; Charlie Brown, Washington Oil Marketer's Association (WOMA). OTHER: Greg Hanon, Western State's Petroleum Association.