

# SENATE BILL REPORT

## SB 5163

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As of February 28, 2005

**Title:** An act relating to eliminating the handling loss deduction for the motor vehicle fuel tax.

**Brief Description:** Eliminating the handling loss deduction for the motor vehicle fuel tax.

**Sponsors:** Senators Haugen, Jacobsen, Spanel and Kline.

**Brief History:**

**Committee Activity:** Transportation:

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### SENATE COMMITTEE ON TRANSPORTATION

**Staff:** David Ward (786-7341)

**Background:** Under current law, those required to remit motor vehicle fuel tax are able to take a deduction from their tax for losses sustained in handling. The deduction allowed is a fixed rate of one-quarter of 1 percent for suppliers acting as distributors, and thirty one-one hundredths of 1 percent for all other licensees. The handling loss deduction does not apply to the special fuel tax.

**Summary of Bill:** The handling loss deduction on motor vehicle fuel tax is repealed.

**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:** A handling loss deduction and/or collection allowance is standard in most states. The deduction has been available in this state since 1935 as a method to account for loss primarily from evaporation through multiple transfers of the product (handling loss). Suppliers also are provided a shrinkage allowance to account for changes in product volume resulting from temperature change. The intent of both of these allowances is to ensure taxes are only paid on the amount of product actually sold and consumed.

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