

SENATE BILL REPORT

SB 5626

As of February 07, 2006

Title: An act relating to the business and occupation tax of wholesale sales of motor vehicle and special fuels.

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

Sponsors: Senators Doumit, Hewitt, Prentice, Roach, Zarelli, Rasmussen and Regala.

Brief History:

Committee Activity: Ways & Means: 2/7/06.

SENATE COMMITTEE ON WAYS & MEANS

Staff: Terry Wilson (786-7433)

Background: The business & occupation (B&O) tax is levied for the privilege of doing business in Washington. The tax is levied on the gross receipts of all business activities conducted within the state. There are no deductions for the costs of doing business. Currently, there are 9 different B&O tax rates. The 3 principal rates are 0.484 percent for manufacturing and wholesaling, 0.471 percent for retailing, and 1.5 percent for services.

Because 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 pyramids at each level of activity. For example, retailers are not allowed to deduct amounts paid to wholesalers, and contractors are not allowed to deduct amounts paid to a subcontractor.

Summary of Substitute Bill: A B&O tax deduction is provided for wholesale sales of motor vehicle fuel and special fuel by a distributor of the fuel to another distributor selling the same type of fuel, but only if the buyer purchases no more than ten million gallons of fuel from the person claiming the deduction during the year.

The deduction does not apply to a fuel distributor that is also a fuel supplier, refiner, or terminal operator.

Substitute Bill Compared to Original Bill: The bill as referred to committee was not considered.

Appropriation: None.

Fiscal Note: Available.

Committee/Commission/Task Force Created: No.

Effective Date: The bill takes effect on July 1, 2006.

Testimony For: The small distributors buy directly from the major oil companies. The oil companies are going to change their practices and only sell to large distributors. The smaller distributors will have to buy from the larger distributors. They should not be penalized. This bill exempts transactions between the large distributor and small distributor. It keeps the smaller distributors competitive.

Testimony Against: None.

Who Testified: PRO: Charlie Brown, WA Oil Marketers Assn.