
SUBSTITUTE SENATE BILL 6785

State of Washington

59th Legislature

2006 Regular Session

By Senate Committee on Transportation (originally sponsored by Senators Jacobsen, Swecker, Haugen and Benson; by request of Department of Transportation and Department of Licensing)

READ FIRST TIME 02/03/06.

1 AN ACT Relating to the administration of fuel taxes; amending RCW
2 82.36.010, 82.36.020, 82.36.025, 82.36.026, 82.36.027, 82.36.029,
3 82.36.031, 82.36.035, 82.36.045, 82.36.060, 82.36.080, 82.36.160,
4 82.36.180, 82.36.275, 82.36.280, 82.36.285, 82.36.290, 82.36.320,
5 82.36.340, 82.36.370, 82.36.380, 82.36.450, 82.38.020, 82.38.030,
6 82.38.032, 82.38.035, 82.38.050, 82.38.090, 82.38.100, 82.38.110,
7 82.38.130, 82.38.140, 82.38.150, 82.38.160, 82.38.180, 82.38.270,
8 82.38.310, and 82.38.320; adding new sections to chapter 82.36 RCW;
9 repealing RCW 82.36.042, 82.36.044, 82.36.273, 82.36.305, 82.36.360,
10 82.36.373, 82.36.407, 82.38.070, 82.38.071, 82.38.081, 82.38.165,
11 82.38.185, and 82.38.285; prescribing penalties; and declaring an
12 emergency.

13 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

14 **Sec. 1.** RCW 82.36.010 and 2001 c 270 s 1 are each amended to read
15 as follows:

16 The definitions in this section apply throughout this chapter
17 unless the context clearly requires otherwise.

18 (1) "Blended fuel" means a mixture of motor vehicle fuel and

1 another liquid, other than a de minimis amount of the liquid, that can
2 be used as a fuel to propel a motor vehicle.

3 (2) "Bond" means a bond duly executed with a corporate surety
4 qualified under chapter 48.28 RCW, which bond is payable to the state
5 of Washington conditioned upon faithful performance of all requirements
6 of this chapter, including the payment of all taxes, penalties, and
7 other obligations arising out of this chapter.

8 (3) "Bulk transfer" means a transfer of motor vehicle fuel by
9 pipeline or vessel.

10 (4) "Bulk transfer-terminal system" means the motor vehicle fuel
11 distribution system consisting of refineries, pipelines, vessels, and
12 terminals. Motor vehicle fuel in a refinery, pipeline, vessel, or
13 terminal is in the bulk transfer-terminal system. Motor vehicle fuel
14 in the fuel tank of an engine, motor vehicle, or in a railcar, trailer,
15 truck, or other equipment suitable for ground transportation is not in
16 the bulk transfer-terminal system.

17 ~~(5) ("Dealer" means a person engaged in the retail sale of motor
18 vehicle fuel.~~

19 ~~(6))~~ "Department" means the department of licensing.

20 ~~((7))~~ (6) "Director" means the director of licensing.

21 ~~((8))~~ (7) "Evasion" or "evade" means to diminish or avoid the
22 computation, assessment, or payment of authorized taxes or fees
23 through:

24 (a) A knowing: False statement; misrepresentation of fact; or
25 other act of deception; or

26 (b) An intentional: Omission; failure to file a return or report;
27 or other act of deception.

28 ~~((9))~~ (8) "Export" means to obtain motor vehicle fuel in this
29 state for sales or distribution outside the state.

30 ~~((10))~~ (9) "Highway" means every way or place open to the use of
31 the public, as a matter of right, for the purpose of vehicular travel.

32 ~~((11))~~ (10) "Import" means to bring motor vehicle fuel into this
33 state by a means of conveyance other than the fuel supply tank of a
34 motor vehicle.

35 (11) "International fuel tax agreement licensee" means a motor
36 vehicle fuel user operating qualified motor vehicles in interstate
37 commerce and licensed by the department under the international fuel
38 tax agreement.

1 (12) "Licensee" means a person holding a motor vehicle fuel
2 supplier, motor vehicle fuel importer, motor vehicle fuel exporter,
3 motor vehicle fuel blender, or international fuel tax agreement license
4 issued under this chapter.

5 ~~((13) ("Marine fuel dealer" means a person engaged in the retail~~
6 ~~sale of motor vehicle fuel whose place of business and/or sale outlet~~
7 ~~is located upon a navigable waterway.~~

8 ~~(14))~~ "Motor vehicle fuel blender" means a person who produces
9 blended motor fuel outside the bulk transfer-terminal system.

10 ~~((15) "Motor vehicle fuel distributor" means a person who acquires~~
11 ~~motor vehicle fuel from a supplier, distributor, or licensee for~~
12 ~~subsequent sale and distribution.~~

13 ~~(16))~~ (14) "Motor vehicle fuel exporter" means a person who
14 purchases motor vehicle fuel in this state and directly exports the
15 fuel by a means other than the bulk transfer-terminal system to a
16 destination outside of the state. If the exporter of record is acting
17 as an agent, the person for whom the agent is acting is the exporter.
18 If there is no exporter of record, the owner of the motor fuel at the
19 time of exportation is the exporter.

20 ~~((17))~~ (15) "Motor vehicle fuel importer" means a person who
21 imports motor vehicle fuel into the state by a means other than the
22 bulk transfer-terminal system. If the importer of record is acting as
23 an agent, the person for whom the agent is acting is the importer. If
24 there is no importer of record, the owner of the motor vehicle fuel at
25 the time of importation is the importer.

26 ~~((18))~~ (16) "Motor vehicle fuel supplier" means a person who
27 holds a federal certificate of registry that is issued under the
28 internal revenue code and authorizes the person to enter into federal
29 tax-free transactions on motor vehicle fuel in the bulk transfer-
30 terminal system.

31 ~~((19))~~ (17) "Motor vehicle" means a self-propelled vehicle
32 designed for operation upon land utilizing motor vehicle fuel as the
33 means of propulsion.

34 ~~((20))~~ (18) "Motor vehicle fuel" means gasoline and any other
35 inflammable gas or liquid, by whatsoever name the gasoline, gas, or
36 liquid may be known or sold, the chief use of which is as fuel for the
37 propulsion of motor vehicles or motorboats.

1 (~~(21)~~) (19) "Person" means a natural person, fiduciary,
2 association, or corporation. The term "person" as applied to an
3 association means and includes the partners or members thereof, and as
4 applied to corporations, the officers thereof.

5 (~~(22)~~) (20) "Position holder" means a person who holds the
6 inventory position in motor vehicle fuel, as reflected by the records
7 of the terminal operator. A person holds the inventory position in
8 motor vehicle fuel if the person has a contractual agreement with the
9 terminal for the use of storage facilities and terminating services at
10 a terminal with respect to motor vehicle fuel. "Position holder"
11 includes a terminal operator that owns motor vehicle fuel in their
12 terminal.

13 (~~(23)~~) (21) "Rack" means a mechanism for delivering motor vehicle
14 fuel from a refinery or terminal into a truck, trailer, railcar, or
15 other means of nonbulk transfer.

16 (~~(24)~~) (22) "Refiner" means a person who owns, operates, or
17 otherwise controls a refinery.

18 (~~(25)~~) (23) "Removal" means a physical transfer of motor vehicle
19 fuel other than by evaporation, loss, or destruction.

20 (~~(26)~~) (24) "Terminal" means a motor vehicle fuel storage and
21 distribution facility that has been assigned a terminal control number
22 by the internal revenue service, is supplied by pipeline or vessel, and
23 from which reportable motor vehicle fuel is removed at a rack.

24 (~~(27)~~) (25) "Terminal operator" means a person who owns,
25 operates, or otherwise controls a terminal.

26 (~~(28)~~) (26) "Two-party exchange" or "buy-sell agreement" means a
27 transaction in which taxable motor vehicle fuel is transferred from one
28 licensed supplier to another licensed supplier under an exchange or
29 buy-sell agreement whereby the supplier that is the position holder
30 agrees to deliver taxable motor vehicle fuel to the other supplier or
31 the other supplier's customer at the rack of the terminal at which the
32 delivering supplier is the position holder.

33 **Sec. 2.** RCW 82.36.020 and 2001 c 270 s 2 are each amended to read
34 as follows:

35 (1) There is hereby levied and imposed upon motor vehicle fuel
36 (~~users~~) licensees a tax at the rate computed in the manner provided
37 in RCW 82.36.025 on each gallon of motor vehicle fuel.

1 (2) The tax imposed by subsection (1) of this section is imposed
2 when any of the following occurs:

3 (a) Motor vehicle fuel is removed in this state from a terminal if
4 the motor vehicle fuel is removed at the rack unless the removal is to
5 a licensed exporter for direct delivery to a destination outside of the
6 state;

7 (b) Motor vehicle fuel is removed in this state from a refinery if
8 either of the following applies:

9 (i) The removal is by bulk transfer and the refiner or the owner of
10 the motor vehicle fuel immediately before the removal is not a
11 licensee; or

12 (ii) The removal is at the refinery rack unless the removal is to
13 a licensed exporter for direct delivery to a destination outside of the
14 state;

15 (c) Motor vehicle fuel enters into this state for sale,
16 consumption, use, or storage if either of the following applies:

17 (i) The entry is by bulk transfer and the importer is not a
18 licensee; or

19 (ii) The entry is not by bulk transfer;

20 (d) Motor vehicle fuel is sold or removed in this state to an
21 unlicensed entity unless there was a prior taxable removal, entry, or
22 sale of the motor vehicle fuel;

23 (e) Blended motor vehicle fuel is removed or sold in this state by
24 the blender of the fuel. The number of gallons of blended motor
25 vehicle fuel subject to the tax is the difference between the total
26 number of gallons of blended motor vehicle fuel removed or sold and the
27 number of gallons of previously taxed motor vehicle fuel used to
28 produce the blended motor vehicle fuel;

29 (f) Motor vehicle fuel is sold by a licensed motor vehicle fuel
30 supplier to a (~~motor vehicle fuel distributor,~~) motor vehicle fuel
31 importer, (~~or~~) motor vehicle fuel blender, or international fuel tax
32 agreement licensee and the motor vehicle fuel is not removed from the
33 bulk transfer-terminal system.

34 (3) The proceeds of the motor vehicle fuel excise tax shall be
35 distributed as provided in RCW 46.68.090.

36 **Sec. 3.** RCW 82.36.025 and 2005 c 314 s 101 are each amended to
37 read as follows:

1 (1) A motor vehicle fuel tax rate of twenty-three cents per gallon
2 (~~applies to the sale, distribution, or use of~~) on motor vehicle fuel
3 shall be imposed on motor vehicle fuel licensees.

4 (2) Beginning July 1, 2003, an additional and cumulative motor
5 vehicle fuel tax rate of five cents per gallon (~~applies to the sale,~~
6 ~~distribution, or use of~~) on motor vehicle fuel shall be imposed on
7 motor vehicle fuel licensees. This subsection (2) expires when the
8 bonds issued for transportation 2003 projects are retired.

9 (3) Beginning July 1, 2005, an additional and cumulative motor
10 vehicle fuel tax rate of three cents per gallon (~~applies to the sale,~~
11 ~~distribution, or use of~~) on motor vehicle fuel shall be imposed on
12 motor vehicle fuel licensees.

13 (4) Beginning July 1, 2006, an additional and cumulative motor
14 vehicle fuel tax rate of three cents per gallon (~~applies to the sale,~~
15 ~~distribution, or use of~~) on motor vehicle fuel shall be imposed on
16 motor vehicle fuel licensees.

17 (5) Beginning July 1, 2007, an additional and cumulative motor
18 vehicle fuel tax rate of two cents per gallon (~~applies to the sale,~~
19 ~~distribution, or use of~~) on motor vehicle fuel shall be imposed on
20 motor vehicle fuel licensees.

21 (6) Beginning July 1, 2008, an additional and cumulative motor
22 vehicle fuel tax rate of one and one-half cents per gallon (~~applies to~~
23 ~~the sale, distribution, or use of~~) on motor vehicle fuel shall be
24 imposed on motor vehicle fuel licensees.

25 **Sec. 4.** RCW 82.36.026 and 2001 c 270 s 3 are each amended to read
26 as follows:

27 (1) A licensed supplier shall (~~remit~~) be liable for and pay tax
28 to the department as provided in RCW 82.36.020. On a two-party
29 exchange, or buy-sell agreement between two licensed suppliers, the
30 receiving exchange partner or buyer (~~who~~) shall (~~{buyer shall}~~
31 ~~remit~~) be liable for and pay the tax.

32 (2) A licensed refiner shall (~~remit~~) be liable for and pay tax to
33 the department on motor vehicle fuel removed from a refinery as
34 provided in RCW 82.36.020(2)(b).

35 (3) (~~An~~) A licensed importer shall (~~remit~~) be liable for and
36 pay tax to the department on motor vehicle fuel imported into this
37 state as provided in RCW 82.36.020(2)(c).

1 (4) A licensed blender shall (~~remit~~) be liable for and pay tax to
2 the department on the removal or sale of blended motor vehicle fuel as
3 provided in RCW 82.36.020(2)(e).

4 (5) Nothing in this chapter shall prohibit the licensee for payment
5 of the tax under this chapter from including as a part of the selling
6 price an amount equal to the tax.

7 NEW SECTION. **Sec. 5.** A new section is added to chapter 82.36 RCW
8 to read as follows:

9 International fuel tax agreement licensees, or persons operating
10 motor vehicles under other reciprocity agreements entered into with the
11 state of Washington, are liable for and must pay the tax under RCW
12 82.36.020 to the department on motor vehicle fuel used to operate motor
13 vehicles on the highways of this state. This provision does not apply
14 if the tax under RCW 82.36.020 has previously been imposed and paid by
15 the international fuel tax agreement licensee or if the use of such
16 fuel is exempt from the tax under this chapter.

17 **Sec. 6.** RCW 82.36.027 and 1998 c 176 s 9 are each amended to read
18 as follows:

19 A terminal operator is jointly and severally liable for
20 (~~remitting~~) payment of the tax imposed under RCW 82.36.020(1) if, at
21 the time of removal:

22 (1) The position holder with respect to the motor vehicle fuel is
23 a person other than the terminal operator and is not a licensee;

24 (2) The terminal operator is not a licensee;

25 (3) The position holder has an expired internal revenue service
26 notification certificate issued under 26 C.F.R. Part 48; or

27 (4) The terminal operator had reason to believe that information on
28 the notification certificate was false.

29 **Sec. 7.** RCW 82.36.029 and 1998 c 176 s 10 are each amended to read
30 as follows:

31 Upon the taxable removal of motor vehicle fuel by a licensed
32 supplier and upon importation by a licensed importer, the licensee who
33 acquired or removed the motor vehicle fuel, other than a motor vehicle
34 fuel exporter, shall be entitled to a deduction from the tax liability
35 on the gallonage of taxable motor vehicle fuel removed or imported in

1 order to account for handling losses, as follows: For a motor vehicle
2 fuel supplier (~~((acting as a distributor))~~), one-quarter of one percent;
3 and for (~~((all other licensees))~~) a licensed importer, thirty one-
4 hundredths of one percent. For those licensees required to file tax
5 reports, the handling loss deduction shall be reported on tax reports
6 filed with the department. (~~((For motor vehicle fuel distributors, the
7 handling loss deduction shall be shown on the invoice provided to the
8 motor vehicle fuel distributor by the seller.))~~)

9 **Sec. 8.** RCW 82.36.031 and 1998 c 176 s 11 are each amended to read
10 as follows:

11 For the purpose of determining the amount of liability for the tax
12 imposed under this chapter, and to periodically update license
13 information, each licensee(~~((, other than a motor vehicle fuel
14 distributor))~~), other than an international fuel tax agreement licensee,
15 shall file monthly tax reports with the department, on a form
16 prescribed by the department.

17 A report shall be filed with the department. An international fuel
18 tax agreement licensee shall file tax reports quarterly even though no
19 motor vehicle fuel tax is due for the reporting period. Each tax
20 report shall contain a declaration by the person making the same, to
21 the effect that the statements contained therein are true and made
22 under penalties of perjury, which declaration has the same force and
23 effect as a verification of the report and is in lieu of the
24 verification. The report shall show information as the department may
25 require for the proper administration and enforcement of this chapter.
26 Tax reports shall be filed on or before the twenty-fifth day of the
27 next succeeding calendar month following the period to which the
28 reports relate. If the final filing date falls on a Saturday, Sunday,
29 or legal holiday the next secular or business day shall be the final
30 filing date.

31 The department, if it deems it necessary in order to ensure payment
32 of the tax imposed under this chapter, or to facilitate the
33 administration of this chapter, may require the filing of reports and
34 tax remittances at shorter intervals than one month.

35 **Sec. 9.** RCW 82.36.035 and 2005 c 260 s 1 are each amended to read
36 as follows:

1 (1) The tax imposed by this chapter shall be computed by
2 multiplying the tax rate per gallon provided in this chapter by the
3 number of gallons of motor vehicle fuel subject to the motor vehicle
4 fuel tax.

5 (2) Except as provided in subsection (3) of this section, tax
6 reports shall be accompanied by a remittance payable to the state
7 treasurer covering the tax amount determined to be due for the
8 reporting period.

9 (3) If the tax is paid by electronic funds transfer, the tax shall
10 be paid on or before the twenty-sixth calendar day of the month
11 immediately following the reporting period. If the payment due date
12 falls on a Saturday, Sunday, or legal holiday the next business day
13 will be the payment date.

14 (4) The tax shall be paid by electronic funds transfer whenever the
15 amount due is fifty thousand dollars or more.

16 ~~((5) A motor vehicle fuel distributor shall remit tax on motor
17 vehicle fuel purchased from a motor vehicle fuel supplier, and due to
18 the state for that reporting period, to the motor vehicle fuel
19 supplier.~~

20 ~~(6) At the election of the distributor, the payment of the motor
21 vehicle fuel tax owed on motor vehicle fuel purchased from a supplier
22 shall be remitted to the supplier on terms agreed upon between the
23 distributor and supplier or no later than seven business days before
24 the twenty-sixth day of the following month. This election shall be
25 subject to a condition that the distributor's remittances of all
26 amounts of motor vehicle fuel tax due to the supplier shall be paid by
27 electronic funds transfer. The distributor's election may be
28 terminated by the supplier if the distributor does not make timely
29 payments to the supplier as required by this section. This section
30 shall not apply if the distributor is required by the supplier to pay
31 cash or cash equivalent for motor vehicle fuel purchases.))~~

32 **Sec. 10.** RCW 82.36.045 and 1998 c 176 s 16 are each amended to
33 read as follows:

34 (1) If the department determines that the tax reported by a
35 licensee is deficient, the department shall assess the deficiency on
36 the basis of information available to it, and shall add a penalty of
37 two percent of the amount of the deficiency.

1 (2) If a licensee, or person acting as such, fails, neglects, or
2 refuses to file a motor vehicle fuel tax report the department shall,
3 on the basis of information available to it, determine the tax
4 liability of the licensee or person for the period during which no
5 report was filed. The department shall add the penalty provided in
6 subsection (1) of this section to the tax. An assessment made by the
7 department under this subsection or subsection (1) of this section is
8 presumed to be correct. In any case, where the validity of the
9 assessment is questioned, the burden is on the person who challenges
10 the assessment to establish by a fair preponderance of evidence that it
11 is erroneous or excessive, as the case may be.

12 (3) If a licensee or person acting as such files a false or
13 fraudulent report with intent to evade the tax imposed by this chapter,
14 the department shall add to the amount of deficiency a penalty equal to
15 twenty-five percent of the deficiency, in addition to the penalty
16 provided in subsections (1) and (2) of this section and all other
17 penalties prescribed by law.

18 (4) Motor vehicle fuel tax, penalties, and interest payable under
19 this chapter bears interest at the rate of one percent per month, or
20 fraction thereof, from the first day of the calendar month after the
21 amount or any portion of it should have been paid until the date of
22 payment. If a licensee or person acting as such establishes by a fair
23 preponderance of evidence that the failure to pay the amount of tax due
24 was attributable to reasonable cause and was not intentional or
25 willful, the department may waive the penalty. The department may
26 waive the interest when it determines the cost of processing or
27 collection of the interest exceeds the amount of interest due.

28 (5) Except in the case of a fraudulent report, neglect or refusal
29 to make a report, or failure to pay or to pay the proper amount, the
30 department shall assess the deficiency under subsection (1) or (2) of
31 this section within five years from the last day of the succeeding
32 calendar month after the reporting period for which the amount is
33 proposed to be determined or within five years after the return is
34 filed, whichever period expires later.

35 (6) Except in the case of violations of filing a false or
36 fraudulent report, if the department deems mitigation of penalties and
37 interest to be reasonable and in the best interest of carrying out the
38 purpose of this chapter, it may mitigate such assessments upon whatever

1 terms the department deems proper, giving consideration to the degree
2 and extent of the lack of records and reporting errors. The department
3 may ascertain the facts regarding recordkeeping and payment penalties
4 in lieu of more elaborate proceedings under this chapter.

5 (7) A licensee or person acting as such against whom an assessment
6 is made under subsection (1) or (2) of this section may petition for a
7 reassessment within thirty days after service upon the licensee of
8 notice of the assessment. If the petition is not filed within the
9 thirty-day period, the amount of the assessment becomes final at the
10 expiration of that period.

11 If a petition for reassessment is filed within the thirty-day
12 period, the department shall reconsider the assessment and, if the
13 petitioner has so requested in its petition, shall grant the petitioner
14 an oral hearing and give the petitioner twenty days' notice of the time
15 and place of the hearing. The department may continue the hearing from
16 time to time. The decision of the department upon a petition for
17 reassessment becomes final thirty days after service of notice upon the
18 petitioner.

19 An assessment made by the department becomes due and payable when
20 it becomes final. If it is not paid to the department when due and
21 payable, the department shall add a penalty of ten percent of the
22 amount of the tax.

23 (8) In a suit brought to enforce the rights of the state under this
24 chapter, the assessment showing the amount of taxes, penalties,
25 interest, and cost unpaid to the state is prima facie evidence of the
26 facts as shown.

27 (9) A notice of assessment required by this section must be served
28 personally or by certified or registered mail. If it is served by
29 mail, service shall be made by deposit of the notice in the United
30 States mail, postage prepaid, addressed to the respondent at the most
31 current address furnished to the department.

32 ~~((10) The tax imposed by this chapter, if required to be collected~~
33 ~~by the seller, is held in trust by the licensee until paid to the~~
34 ~~department, and a licensee who appropriates or converts the tax~~
35 ~~collected to his or her own use or to any use other than the payment of~~
36 ~~the tax to the extent that the money required to be collected is not~~
37 ~~available for payment on the due date as prescribed in this chapter is~~
38 ~~guilty of a felony, or gross misdemeanor in accordance with the theft~~

1 ~~and anticipatory provisions of Title 9A RCW. A person, partnership,~~
2 ~~corporation, or corporate officer who fails to collect the tax imposed~~
3 ~~by this section, or who has collected the tax and fails to pay it to~~
4 ~~the department in the manner prescribed by this chapter, is personally~~
5 ~~liable to the state for the amount of the tax.))~~

6 **Sec. 11.** RCW 82.36.060 and 2001 c 270 s 5 are each amended to read
7 as follows:

8 (1) An application for a license issued under this chapter shall be
9 made to the department on forms to be furnished by the department and
10 shall contain such information as the department deems necessary.

11 (2) Every application for a license must contain the following
12 information to the extent it applies to the applicant:

13 (a) Proof as the department may require concerning the applicant's
14 identity, including but not limited to his or her fingerprints or those
15 of the officers of a corporation making the application;

16 (b) The applicant's form and place of organization including proof
17 that the individual, partnership, or corporation is licensed to do
18 business in this state;

19 (c) The qualification and business history of the applicant and any
20 partner, officer, or director;

21 (d) The applicant's financial condition or history including a bank
22 reference and whether the applicant or any partner, officer, or
23 director has ever been adjudged bankrupt or has an unsatisfied judgment
24 in a federal or state court;

25 (e) Whether the applicant has been adjudged guilty of a crime that
26 directly relates to the business for which the license is sought and
27 the time elapsed since the conviction is less than ten years, or has
28 suffered a judgment within the preceding five years in a civil action
29 involving fraud, misrepresentation, or conversion and in the case of a
30 corporation or partnership, all directors, officers, or partners.

31 (3) An applicant for a license as a motor vehicle fuel importer
32 must list on the application each state, province, or country from
33 which the applicant intends to import motor vehicle fuel and, if
34 required by the state, province, or country listed, must be licensed or
35 registered for motor vehicle fuel tax purposes in that state, province,
36 or country.

1 (4) An applicant for a license as a motor vehicle fuel exporter
2 must list on the application each state, province, or country to which
3 the exporter intends to export motor vehicle fuel received in this
4 state by means of a transfer outside of the bulk transfer-terminal
5 system and, if required by the state, province, or country listed, must
6 be licensed or registered for motor vehicle fuel tax purposes in that
7 state, province, or country.

8 (5) An applicant for a license as a motor vehicle fuel supplier
9 must have a federal certificate of registry that is issued under the
10 internal revenue code and authorizes the applicant to enter into
11 federal tax-free transactions on motor vehicle fuel in the terminal
12 transfer system.

13 (6) After receipt of an application for a license, the director may
14 conduct an investigation to determine whether the facts set forth are
15 true. The director shall require a fingerprint record check of the
16 applicant through the Washington state patrol criminal identification
17 system and the federal bureau of investigation before issuance of a
18 license. The results of the background investigation including
19 criminal history information may be released to authorized department
20 personnel as the director deems necessary. The department shall charge
21 a license holder or license applicant a fee of fifty dollars for each
22 background investigation conducted.

23 An applicant who makes a false statement of a material fact on the
24 application may be prosecuted for false swearing as defined by RCW
25 9A.72.040.

26 (7) Except as provided by subsection (8) of this section, before
27 granting any license issued under this chapter, the department shall
28 require applicant to file with the department, in such form as shall be
29 prescribed by the department, a corporate surety bond duly executed by
30 the applicant as principal, payable to the state and conditioned for
31 faithful performance of all the requirements of this chapter, including
32 the payment of all taxes, penalties, and other obligations arising out
33 of this chapter. The total amount of the bond or bonds shall be fixed
34 by the department and may be increased or reduced by the department at
35 any time subject to the limitations herein provided. In fixing the
36 total amount of the bond or bonds, the department shall require a bond
37 or bonds equivalent in total amount to twice the estimated monthly
38 excise tax determined in such manner as the department may deem proper.

1 If at any time the estimated excise tax to become due during the
2 succeeding month amounts to more than fifty percent of the established
3 bond, the department shall require additional bonds or securities to
4 maintain the marginal ratio herein specified or shall demand excise tax
5 payments to be made weekly or semimonthly to meet the requirements
6 hereof.

7 The total amount of the bond or bonds required of any licensee
8 shall never be less than five thousand dollars nor more than one
9 hundred thousand dollars.

10 No recoveries on any bond or the execution of any new bond shall
11 invalidate any bond and no revocation of any license shall effect the
12 validity of any bond but the total recoveries under any one bond shall
13 not exceed the amount of the bond.

14 In lieu of any such bond or bonds in total amount as herein fixed,
15 a licensee may deposit with the state treasurer, under such terms and
16 conditions as the department may prescribe, a like amount of lawful
17 money of the United States or bonds or other obligations of the United
18 States, the state, or any county of the state, of an actual market
19 value not less than the amount so fixed by the department.

20 Any surety on a bond furnished by a licensee as provided herein
21 shall be released and discharged from any and all liability to the
22 state accruing on such bond after the expiration of thirty days from
23 the date upon which such surety has lodged with the department a
24 written request to be released and discharged, but this provision shall
25 not operate to relieve, release, or discharge the surety from any
26 liability already accrued or which shall accrue before the expiration
27 of the thirty day period. The department shall promptly, upon
28 receiving any such request, notify the licensee who furnished the bond;
29 and unless the licensee, on or before the expiration of the thirty day
30 period, files a new bond, or makes a deposit in accordance with the
31 requirements of this section, the department shall forthwith cancel the
32 license. Whenever a new bond is furnished by a licensee, the
33 department shall cancel the old bond as soon as the department and the
34 attorney general are satisfied that all liability under the old bond
35 has been fully discharged.

36 The department may require a licensee to give a new or additional
37 surety bond or to deposit additional securities of the character
38 specified in this section if, in its opinion, the security of the

1 surety bond theretofore filed by such licensee, or the market value of
2 the properties deposited as security by the licensee, shall become
3 impaired or inadequate; and upon the failure of the licensee to give
4 such new or additional surety bond or to deposit additional securities
5 within thirty days after being requested so to do by the department,
6 the department shall forthwith cancel his or her license.

7 ~~(8) ((The department may waive the requirements of subsection (7)~~
8 ~~of this section for licensed distributors if, upon determination by the~~
9 ~~department, the licensed distributor has sufficient resources, assets,~~
10 ~~other financial instruments, or other means, to adequately make~~
11 ~~payments on the estimated monthly motor vehicle fuel tax payments,~~
12 ~~penalties, and interest arising out of this chapter. The department~~
13 ~~shall adopt rules to administer this subsection))~~ An application for an
14 international fuel tax agreement license must be made to the
15 department. The application must be filed upon a form prescribed by
16 the department and contain such information as the department may
17 require. The department shall charge a fee of ten dollars per set of
18 international fuel tax agreement decals issued to each applicant or
19 licensee. The department shall transmit the fee to the state treasurer
20 for deposit in the motor vehicle fund.

21 **Sec. 12.** RCW 82.36.080 and 1998 c 176 s 20 are each amended to
22 read as follows:

23 (1) It shall be unlawful for any person to engage in business in
24 this state as any of the following unless the person is the holder of
25 an uncanceled license issued by the department authorizing the person
26 to engage in that business:

27 (a) Motor vehicle fuel supplier;

28 (b) ~~((Motor vehicle fuel distributor;~~

29 ~~(c))~~ Motor vehicle fuel exporter;

30 ~~((d))~~ (c) Motor vehicle fuel importer; ((or

31 ~~(e))~~ (d) Motor vehicle fuel blender; or

32 (e) International fuel tax agreement licensee.

33 (2) A person engaged in more than one activity for which a license
34 is required must have a separate license classification for each
35 activity, but a motor vehicle fuel supplier is not required to obtain
36 a separate license classification for any other activity for which a
37 license is required.

1 (3) If any person acts as a licensee without first securing the
2 license required herein the excise tax shall be immediately due and
3 payable on account of all motor vehicle fuel distributed or used by the
4 person. The director shall proceed forthwith to determine from the
5 best available sources, the amount of the tax, and the director shall
6 immediately assess the tax in the amount found due, together with a
7 penalty of one hundred percent of the tax, and shall make a certificate
8 of such assessment and penalty. In any suit or proceeding to collect
9 the tax or penalty, or both, such certificate shall be prima facie
10 evidence that the person therein named is indebted to the state in the
11 amount of the tax and penalty therein stated. Any tax or penalty so
12 assessed may be collected in the manner prescribed in this chapter with
13 reference to delinquency in payment of the tax or by an action at law,
14 which the attorney general shall commence and prosecute to final
15 determination at the request of the director. The foregoing remedies
16 of the state shall be cumulative and no action taken pursuant to this
17 section shall relieve any person from the penal provisions of this
18 chapter.

19 **Sec. 13.** RCW 82.36.160 and 1998 c 176 s 27 are each amended to
20 read as follows:

21 Every licensee shall maintain in the office of his or her principal
22 place of business in this state, for a period of five years, records of
23 motor vehicle fuel received, sold, distributed, or used by the
24 licensee, in such form as the director may prescribe, together with
25 invoices, bills of lading, and other pertinent papers as may be
26 required under the provisions of this chapter.

27 ~~((Every dealer purchasing motor vehicle fuel taxable under this
28 chapter for the purpose of resale, shall maintain within this state,
29 for a period of two years a record of motor vehicle fuels received, the
30 amount of tax paid to the licensee as part of the purchase price,
31 together with delivery tickets, invoices, and bills of lading, and such
32 other records as the director shall require.))~~

33 **Sec. 14.** RCW 82.36.180 and 1998 c 176 s 30 are each amended to
34 read as follows:

35 The director, or duly authorized agents, may make such examinations
36 of the records, stocks, facilities, and equipment of any licensee,

1 ((and service stations,)) and make such other investigations as deemed
2 necessary in carrying out the provisions of this chapter. If such
3 examinations or investigations disclose that any reports of licensees
4 theretofore filed with the director pursuant to the requirements of
5 this chapter have shown incorrectly the gallonage of motor vehicle fuel
6 distributed or the tax ((accruing)) liability thereon, the director may
7 make such changes in subsequent reports and payments of such licensees
8 as deemed necessary to correct the errors disclosed.

9 Every such licensee or such other person not maintaining records in
10 this state so that an audit of such records may be made by the director
11 or a duly authorized representative shall be required to make the
12 necessary records available to the director upon request and at a
13 designated office within this state; or, in lieu thereof, the director
14 or a duly authorized representative shall proceed to any out-of-state
15 office at which the records are prepared and maintained to make such
16 examination.

17 NEW SECTION. **Sec. 15.** A new section is added to chapter 82.36 RCW
18 to read as follows:

19 Motor vehicle fuel that is used exclusively for racing and is
20 illegal for use on the public highways of this state under state or
21 federal law is exempt from the tax imposed under this chapter.

22 **Sec. 16.** RCW 82.36.275 and 1969 ex.s. c 281 s 27 are each amended
23 to read as follows:

24 Notwithstanding RCW 82.36.240, every urban passenger transportation
25 system shall receive a refund of the amount of the motor vehicle fuel
26 tax paid on each gallon of motor vehicle fuel used(~~(, whether such~~
27 ~~vehicle fuel tax has been paid either directly to the vendor from whom~~
28 ~~the motor vehicle fuel was purchased or indirectly by adding the amount~~
29 ~~of such tax to the price of such fuel)).~~

30 For the purposes of this section "urban passenger transportation
31 system" means every transportation system, publicly or privately owned,
32 having as its principal source of revenue the income from transporting
33 persons for compensation by means of motor vehicles and/or trackless
34 trolleys, each having a seating capacity for over fifteen persons, over
35 prescribed routes in such a manner that the routes of such motor
36 vehicles and/or trackless trolleys (either alone or in conjunction with

1 routes of other such motor vehicles and/or trackless trolleys subject
2 to routing by the same transportation system) do not extend for a
3 distance exceeding fifteen road miles beyond the corporate limits of
4 the city in which the original starting points of such motor vehicles
5 are located: PROVIDED, That no refunds authorized by this section
6 shall be granted on fuel used by any urban transportation vehicle on
7 any trip where any portion of said trip is more than fifteen road miles
8 beyond the corporate limits of the city in which said trip originated.

9 **Sec. 17.** RCW 82.36.280 and 1998 c 176 s 36 are each amended to
10 read as follows:

11 Any person who uses any motor vehicle fuel for the purpose of
12 operating any internal combustion engine not used on or in conjunction
13 with any motor vehicle licensed to be operated over and along any of
14 the public highways, and as the motive power thereof, upon which motor
15 vehicle fuel excise tax has been paid, shall be entitled to and shall
16 receive a refund of the amount of the motor vehicle fuel excise tax
17 paid on each gallon of motor vehicle fuel so used(~~(, whether such motor~~
18 ~~vehicle excise tax has been paid either directly to the vendor from~~
19 ~~whom the motor vehicle fuel was purchased or indirectly by adding the~~
20 ~~amount of such excise tax to the price of such fuel)). No refund shall
21 be made for motor vehicle fuel consumed by any motor vehicle as herein
22 defined that is required to be registered and licensed as provided in
23 chapter 46.16 RCW; and is operated over and along any public highway
24 except that a refund shall be allowed for motor vehicle fuel consumed:~~

25 (1) In a motor vehicle owned by the United States that is operated
26 off the public highways for official use; and

27 (2) By auxiliary equipment not used for motive power, provided such
28 consumption is accurately measured by a metering device that has been
29 specifically approved by the department or is established by either of
30 the following formulae:

31 (a) For fuel used in pumping fuel or heating oils by a power take-
32 off unit on a delivery truck, refund shall be allowed claimant for tax
33 paid on fuel purchased at the rate of three-fourths of one gallon for
34 each one thousand gallons of fuel delivered: PROVIDED, That claimant
35 when presenting his or her claim to the department in accordance with
36 the provisions of this chapter, shall provide to said claim, invoices

1 of fuel oil delivered, or such other appropriate information as may be
2 required by the department to substantiate his or her claim; or

3 (b) For fuel used in operating a power take-off unit on a cement
4 mixer truck or load compactor on a garbage truck, claimant shall be
5 allowed a refund of twenty-five percent of the tax paid on all fuel
6 used in such a truck; and

7 (c) The department is authorized to establish by rule additional
8 formulae for determining fuel usage when operating other types of
9 equipment by means of power take-off units when direct measurement of
10 the fuel used is not feasible. The department is also authorized to
11 adopt rules regarding the usage of on board computers for the
12 production of records required by this chapter.

13 **Sec. 18.** RCW 82.36.285 and 1996 c 244 s 5 are each amended to read
14 as follows:

15 A private, nonprofit transportation provider regulated under
16 chapter 81.66 RCW shall receive a refund of the amount of the motor
17 vehicle fuel tax paid on each gallon of motor vehicle fuel used to
18 provide transportation services for persons with special transportation
19 needs(~~(, whether the vehicle fuel tax has been paid either directly to~~
20 ~~the vendor from whom the motor vehicle fuel was purchased or indirectly~~
21 ~~by adding the amount of the tax to the price of the fuel))~~).

22 **Sec. 19.** RCW 82.36.290 and 1961 c 15 s 82.36.290 are each amended
23 to read as follows:

24 Every person who purchases and uses any motor vehicle fuel as an
25 ingredient for manufacturing or for cleaning or dyeing or for some
26 other similar purpose and upon which the motor vehicle fuel excise tax
27 has been paid shall be entitled to and shall receive a refund of the
28 amount of the motor vehicle fuel excise tax paid on each gallon of
29 motor vehicle fuel so used(~~(, whether such motor vehicle excise tax has~~
30 ~~been paid either directly to the vendor from whom the motor vehicle~~
31 ~~fuel was purchased or indirectly by adding the amount of such excise~~
32 ~~tax to the price of such fuel))~~).

33 **Sec. 20.** RCW 82.36.320 and 1961 c 15 s 82.36.320 are each amended
34 to read as follows:

35 Any person claiming refund on motor vehicle fuel used other than in

1 motor vehicles as herein provided(~~(, and any person purchasing motor~~
2 ~~vehicle fuel from a dealer who is claiming refund on account of the~~
3 ~~sale of such fuel under RCW 82.36.305)) may be required by the director~~
4 to also furnish information regarding the amount of motor vehicle fuel
5 purchased from other sources or for other purposes during the period
6 reported for which no refund is claimed.

7 **Sec. 21.** RCW 82.36.340 and 1961 c 15 s 82.36.340 are each amended
8 to read as follows:

9 The director may in order to establish the validity of any claim
10 for refund require the claimant(~~(, or, in the case of a dealer filing~~
11 ~~a claim for refund as provided by RCW 82.36.305, the person to whom~~
12 ~~such fuel was sold,)) to furnish such additional proof of the validity
13 of the claim as the director may determine, and may examine the books
14 and records of the claimant or said person to whom the fuel was sold
15 for such purpose. The records shall be sufficient to substantiate the
16 accuracy of the claim and shall be in such form and contain such
17 information as the director may require. The failure to maintain such
18 records or to accede to a demand for an examination of such records may
19 be deemed by the director as sufficient cause for denial of all right
20 to the refund claimed on account of the transaction in question.~~

21 **Sec. 22.** RCW 82.36.370 and 1998 c 176 s 42 are each amended to
22 read as follows:

23 (1) A refund shall be made in the manner provided in this chapter
24 or a credit given to a licensee allowing for the excise tax paid or
25 accrued on all motor vehicle fuel which is lost or destroyed, while
26 (~~applicant shall be the owner thereof~~) the licensee was the owner,
27 through fire, lightning, flood, wind storm, or explosion.

28 (2) A refund shall be made in the manner provided in this chapter
29 or a credit given allowing for the excise tax paid or accrued on all
30 motor vehicle fuel of five hundred gallons or more which is lost or
31 destroyed, while applicant shall be the owner thereof, through leakage
32 or other casualty except evaporation, shrinkage or unknown causes:
33 PROVIDED, That the director shall be notified in writing as to the full
34 circumstances surrounding such loss or destruction and the amount of
35 the loss or destruction within thirty days from the day of discovery of
36 such loss or destruction.

1 (3) Recovery for such loss or destruction under either subsection
2 (1) or (2) must be susceptible to positive proof thereby enabling the
3 director to conduct such investigation and require such information as
4 the director may deem necessary.

5 In the event that the director is not satisfied that the fuel was
6 lost or destroyed as claimed, wherefore required information or proof
7 as required hereunder is not sufficient to substantiate the accuracy of
8 the claim, the director may deem as sufficient cause the denial of all
9 right relating to the refund or credit for the excise tax on motor
10 vehicle fuel alleged to be lost or destroyed.

11 **Sec. 23.** RCW 82.36.380 and 2003 c 358 s 13 are each amended to
12 read as follows:

13 (1) It is unlawful for a person or corporation to:

14 (a) Evade a tax or fee imposed under this chapter;

15 (b) File a false statement of a material fact on a motor fuel
16 license application or motor fuel refund application;

17 (c) Act as a motor fuel importer, motor fuel blender, or motor fuel
18 supplier unless the person holds an uncanceled motor fuel license
19 issued by the department authorizing the person to engage in that
20 business;

21 (d) Knowingly assist another person to evade a tax or fee imposed
22 by this chapter;

23 (e) Knowingly operate a conveyance for the purpose of hauling,
24 transporting, or delivering motor vehicle fuel in bulk and not possess
25 an invoice, bill of sale, or other statement showing the name, address,
26 and tax license number of the seller or consignor, the destination, the
27 name, address, and tax license number of the purchaser or consignee,
28 and the number of gallons.

29 (2) A violation of subsection (1) of this section is a class C
30 felony under chapter 9A.20 RCW. In addition to other penalties and
31 remedies provided by law, the court shall order a person or corporation
32 found guilty of violating subsection (1) of this section to:

33 (a) Pay the tax or fee evaded plus interest, commencing at the date
34 the tax or fee was first due, at the rate of twelve percent per year,
35 compounded monthly; and

36 (b) Pay a penalty of one hundred percent of the tax evaded, to the
37 multimodal transportation account of the state.

1 (3) The tax imposed by this chapter is held in trust by the
2 licensee until paid to the department, and a licensee who appropriates
3 the tax to his or her own use or to any use other than the payment of
4 the tax on the due date as prescribed in this chapter is guilty of a
5 felony or gross misdemeanor in accordance with the theft and
6 anticipatory provisions of Title 9A RCW. A person, partnership,
7 corporation, or corporate officer who fails to pay to the department
8 the tax imposed by this chapter is personally liable to the state for
9 the amount of the tax.

10 **Sec. 24.** RCW 82.36.450 and 1995 c 320 s 2 are each amended to read
11 as follows:

12 ~~((The department of licensing may enter into an agreement with any~~
13 ~~federally recognized Indian tribe located on a reservation within this~~
14 ~~state regarding the imposition, collection, and use of this state's~~
15 ~~motor vehicle fuel tax, or the budgeting or use of moneys in lieu~~
16 ~~thereof, upon terms substantially the same as those in the consent~~
17 ~~decree entered by the federal district court (Eastern District of~~
18 ~~Washington) in *Confederated Tribes of the Colville Reservation v. DOL,*~~
19 ~~*et al.*, District Court No. CY 92 248 JLO.))~~ The department of
20 licensing, within one year after the effective date of this act, or
21 within one year after the opening of the first tribally licensed retail
22 station, may enter into an agreement with any federally recognized
23 Indian tribe located on a reservation in this state regarding payment
24 of fuel taxes included on fuel delivered to a retail station owned and
25 operated by a tribe, tribal enterprise, or tribal member licensed by
26 the tribe to operate a retail station located on reservation or trust
27 property. The agreement must be between the department and the tribe,
28 and be based on a formula incorporating the average gallons of fuel
29 used annually by drivers in Washington, the number of enrolled tribal
30 members living on or near the reservation, and the current motor
31 vehicle fuel tax amount. The formula may be adjusted annually for
32 changes in the enrolled tribal population and as required by changes to
33 the amount of the fuel tax. The provisions of this act do not repeal
34 existing state/tribal fuel tax compacts in existence on the effective
35 date of this act.

1 **Sec. 25.** RCW 82.38.020 and 2002 c 183 s 1 are each amended to read
2 as follows:

3 The definitions in this section apply throughout this chapter
4 unless the context clearly requires otherwise.

5 (1) "Blended special fuel" means a mixture of undyed diesel fuel
6 and another liquid, other than a de minimis amount of the liquid, that
7 can be used as a fuel to propel a motor vehicle.

8 (2) "Blender" means a person who produces blended special fuel
9 outside the bulk transfer-terminal system.

10 (3) "Bond" means a bond duly executed with a corporate surety
11 qualified under chapter 48.28 RCW, which bond is payable to the state
12 of Washington conditioned upon faithful performance of all requirements
13 of this chapter, including the payment of all taxes, penalties, and
14 other obligations arising out of this chapter.

15 (4) "Bulk transfer-terminal system" means the special fuel
16 distribution system consisting of refineries, pipelines, vessels, and
17 terminals. Special fuel in a refinery, pipeline, vessel, or terminal
18 is in the bulk transfer-terminal system. Special fuel in the fuel tank
19 of an engine, motor vehicle, or in a railcar, trailer, truck, or other
20 equipment suitable for ground transportation is not in the bulk
21 transfer-terminal system.

22 (5) "Bulk transfer" means a transfer of special fuel by pipeline or
23 vessel.

24 (6) "Bulk storage" means the placing of special fuel into a
25 receptacle other than the fuel supply tank of a motor vehicle.

26 (7) "Department" means the department of licensing.

27 (8) "Dyed special fuel user" means a person authorized by the
28 internal revenue code to operate a motor vehicle on the highway using
29 dyed special fuel, in which the use is not exempt from the special fuel
30 tax.

31 (9) "Evasion" or "evade" means to diminish or avoid the
32 computation, assessment, or payment of authorized taxes or fees
33 through:

34 (a) A knowing: False statement; omission; misrepresentation of
35 fact; or other act of deception;

36 (b) An intentional: Failure to file a return or report; or other
37 act of deception; or

38 (c) The unlawful use of dyed special fuel.

1 (10) "Export" means to obtain special fuel in this state for sales
2 or distribution outside the state.

3 (11) "Highway" means every way or place open to the use of the
4 public, as a matter of right, for the purpose of vehicular travel.

5 (12) "Import" means to bring special fuel into this state by a
6 means of conveyance other than the fuel supply tank of a motor vehicle.

7 (13) "International fuel tax agreement licensee" means a special
8 fuel user operating qualified motor vehicles in interstate commerce and
9 licensed by the department under the international fuel tax agreement.

10 (14) "Lessor" means a person: (a) Whose principal business is the
11 bona fide leasing or renting of motor vehicles without drivers for
12 compensation to the general public; and (b) who maintains established
13 places of business and whose lease or rental contracts require the
14 motor vehicles to be returned to the established places of business.

15 (15) "Licensee" means a person holding a license issued under this
16 chapter.

17 (16) "Motor vehicle" means a self-propelled vehicle designed for
18 operation upon land utilizing special fuel as the means of propulsion.

19 (17) "Natural gas" means naturally occurring mixtures of
20 hydrocarbon gases and vapors consisting principally of methane, whether
21 in gaseous or liquid form.

22 (18) "Person" means a natural person, fiduciary, association, or
23 corporation. The term "person" as applied to an association means and
24 includes the partners or members thereof, and as applied to
25 corporations, the officers thereof.

26 (19) "Position holder" means a person who holds the inventory
27 position in special fuel, as reflected by the records of the terminal
28 operator. A person holds the inventory position in special fuel if the
29 person has a contractual agreement with the terminal for the use of
30 storage facilities and terminating services at a terminal with respect
31 to special fuel. "Position holder" includes a terminal operator that
32 owns special fuel in their terminal.

33 (20) "Rack" means a mechanism for delivering special fuel from a
34 refinery or terminal into a truck, trailer, railcar, or other means of
35 nonbulk transfer.

36 (21) "Refiner" means a person who owns, operates, or otherwise
37 controls a refinery.

1 (22) "Removal" means a physical transfer of special fuel other than
2 by evaporation, loss, or destruction.

3 (23) "Special fuel" means and includes all combustible gases and
4 liquids suitable for the generation of power for propulsion of motor
5 vehicles, except that it does not include motor vehicle fuel as defined
6 in chapter 82.36 RCW, nor does it include dyed special fuel as defined
7 by federal regulations, unless the use is in violation of this chapter.
8 If a person holds for sale, sells, purchases, or uses any dyed special
9 fuel in violation of this chapter, all dyed special fuel held for sale,
10 sold, purchased, stored, or used by that person is considered special
11 fuel, and the person is subject to all presumptions, reporting, and
12 recordkeeping requirements and other obligations which apply to special
13 fuel, along with payment of any applicable taxes, penalties, or
14 interest for illegal use.

15 ~~((24) ("Special fuel distributor" means a person who acquires
16 special fuel from a supplier, distributor, or licensee for subsequent
17 sale and distribution.~~

18 ~~(+25))~~ "Special fuel exporter" means a person who purchases special
19 fuel in this state and directly exports the fuel by a means other than
20 the bulk transfer-terminal system to a destination outside of the
21 state.

22 ~~((+26))~~ (25) "Special fuel importer" means a person who imports
23 special fuel into the state by a means other than the bulk transfer-
24 terminal system. If the importer of record is acting as an agent, the
25 person for whom the agent is acting is the importer. If there is no
26 importer of record, the owner of the special fuel at the time of
27 importation is the importer.

28 ~~((+27))~~ (26) "Special fuel supplier" means a person who holds a
29 federal certificate issued under the internal revenue code and
30 authorizes the person to tax-free transactions on special fuel in the
31 bulk transfer-terminal system.

32 ~~((+28))~~ (27) "Special fuel user" means a person engaged in uses of
33 special fuel that are not specifically exempted from the special fuel
34 tax imposed under this chapter.

35 ~~((+29))~~ (28) "Terminal" means a special fuel storage and
36 distribution facility that has been assigned a terminal control number
37 by the internal revenue service, is supplied by pipeline or vessel, and
38 from which reportable special fuel is removed at a rack.

1 (~~(30)~~) (29) "Terminal operator" means a person who owns,
2 operates, or otherwise controls a terminal.

3 (~~(31)~~) (30) "Two-party exchange" or "buy-sell agreement" means a
4 transaction in which taxable special fuel is transferred from one
5 licensed supplier to another licensed supplier under an exchange or
6 buy-sell agreement whereby the supplier that is the position holder
7 agrees to deliver taxable special fuel to the other supplier or the
8 other supplier's customer at the rack of the terminal at which the
9 delivering supplier is the position holder.

10 **Sec. 26.** RCW 82.38.030 and 2005 c 314 s 102 are each amended to
11 read as follows:

12 (1) There is hereby levied and imposed upon special fuel (~~(users)~~)
13 licensees a tax at the rate of twenty-three cents per gallon of special
14 fuel, or each one hundred cubic feet of compressed natural gas,
15 measured at standard pressure and temperature.

16 (2) Beginning July 1, 2003, an additional and cumulative tax rate
17 of five cents per gallon of special fuel, or each one hundred cubic
18 feet of compressed natural gas, measured at standard pressure and
19 temperature shall be imposed on special fuel (~~(users)~~) licensees. This
20 subsection (2) expires when the bonds issued for transportation 2003
21 projects are retired.

22 (3) Beginning July 1, 2005, an additional and cumulative tax rate
23 of three cents per gallon of special fuel, or each one hundred cubic
24 feet of compressed natural gas, measured at standard pressure and
25 temperature shall be imposed on special fuel (~~(users)~~) licensees.

26 (4) Beginning July 1, 2006, an additional and cumulative tax rate
27 of three cents per gallon of special fuel, or each one hundred cubic
28 feet of compressed natural gas, measured at standard pressure and
29 temperature shall be imposed on special fuel (~~(users)~~) licensees.

30 (5) Beginning July 1, 2007, an additional and cumulative tax rate
31 of two cents per gallon of special fuel, or each one hundred cubic feet
32 of compressed natural gas, measured at standard pressure and
33 temperature shall be imposed on special fuel (~~(users)~~) licensees.

34 (6) Beginning July 1, 2008, an additional and cumulative tax rate
35 of one and one-half cents per gallon of special fuel, or each one
36 hundred cubic feet of compressed natural gas, measured at standard

1 pressure and temperature shall be imposed on special fuel (~~((users))~~)
2 licensees.

3 (7) Taxes are imposed when:

4 (a) Special fuel is removed in this state from a terminal if the
5 special fuel is removed at the rack unless the removal is to a licensed
6 exporter for direct delivery to a destination outside of the state, or
7 the removal is (~~((to))~~) by a special fuel (~~((distributor))~~) supplier for
8 direct delivery to an international fuel tax agreement licensee under
9 RCW 82.38.320;

10 (b) Special fuel is removed in this state from a refinery if either
11 of the following applies:

12 (i) The removal is by bulk transfer and the refiner or the owner of
13 the special fuel immediately before the removal is not a licensee; or

14 (ii) The removal is at the refinery rack unless the removal is to
15 a licensed exporter for direct delivery to a destination outside of the
16 state, or the removal is to a special fuel (~~((distributor))~~) supplier for
17 direct delivery to an international fuel tax agreement licensee under
18 RCW 82.38.320;

19 (c) Special fuel enters into this state (~~((for sale, consumption,~~
20 ~~use, or storage))~~), unless the fuel enters this state for direct
21 delivery to an international fuel tax agreement licensee under RCW
22 82.38.320, if either of the following applies:

23 (i) The entry is by bulk transfer and the importer is not a
24 licensee; or

25 (ii) The entry is not by bulk transfer;

26 (d) Special fuel is sold or removed in this state to an unlicensed
27 entity unless there was a prior taxable removal, entry, or sale of the
28 special fuel;

29 (e) Blended special fuel is removed or sold in this state by the
30 blender of the fuel. The number of gallons of blended special fuel
31 subject to tax is the difference between the total number of gallons of
32 blended special fuel removed or sold and the number of gallons of
33 previously taxed special fuel used to produce the blended special fuel;

34 (f) Dyed special fuel is used on a highway, as authorized by the
35 internal revenue code, unless the use is exempt from the special fuel
36 tax;

37 (g) Dyed special fuel is held for sale, sold, used, or is intended
38 to be used in violation of this chapter;

1 (h) Special fuel purchased by an international fuel tax agreement
2 licensee under RCW 82.38.320 is used on a highway; and

3 (i) Special fuel is sold by a licensed special fuel supplier to a
4 (~~special fuel distributor,~~) special fuel importer(~~(7)~~) or special
5 fuel blender and the special fuel is not removed from the bulk
6 transfer-terminal system.

7 (~~(8) The tax imposed by this chapter, if required to be collected
8 by the licensee, is held in trust by the licensee until paid to the
9 department, and a licensee who appropriates or converts the tax
10 collected to his or her own use or to any use other than the payment of
11 the tax to the extent that the money required to be collected is not
12 available for payment on the due date as prescribed in this chapter is
13 guilty of a felony, or gross misdemeanor in accordance with the theft
14 and anticipatory provisions of Title 9A RCW. A person, partnership,
15 corporation, or corporate officer who fails to collect the tax imposed
16 by this section, or who has collected the tax and fails to pay it to
17 the department in the manner prescribed by this chapter, is personally
18 liable to the state for the amount of the tax.))~~

19 **Sec. 27.** RCW 82.38.032 and 1998 c 176 s 52 are each amended to
20 read as follows:

21 (~~The tax under RCW 82.38.030, if not previously imposed and paid,
22 must be paid over to the department by special fuel users and persons
23 licensed under the international fuel tax agreement or other fuel tax
24 reciprocity agreements entered into with the state of Washington, on
25 the use of special fuel to operate motor vehicles on the highways of
26 this state, unless the use is exempt from the tax under this chapter.))
27 International fuel tax agreement licensees, or persons operating motor
28 vehicles under other reciprocity agreements entered into with the state
29 of Washington, are liable for and must pay the tax under RCW 82.38.020
30 to the department on special fuel used to operate motor vehicles on the
31 highways of this state. This provision does not apply if the tax under
32 RCW 82.38.020 has previously been imposed and paid by the international
33 fuel tax agreement licensee or if the use of such fuel is exempt from
34 the tax under this chapter.~~

35 **Sec. 28.** RCW 82.38.035 and 2005 c 314 s 107 are each amended to
36 read as follows:

1 (1) A licensed supplier shall ~~((remit))~~ be liable for and pay tax
2 on special fuel to the department as provided in RCW 82.38.030(7)(a).
3 On a two-party exchange, or buy-sell agreement between two licensed
4 suppliers, the receiving exchange partner or buyer shall ~~((remit))~~ be
5 liable for and pay the tax.

6 (2) A licensed refiner shall ~~((remit))~~ be liable for and pay tax to
7 the department on special fuel removed from a refinery as provided in
8 RCW 82.38.030(7)(b).

9 (3) ~~((An))~~ A licensed importer shall ~~((remit))~~ be liable for and
10 pay tax to the department on special fuel imported into this state as
11 provided in RCW 82.38.030(7)(c).

12 (4) A licensed blender shall ~~((remit))~~ be liable for and pay tax to
13 the department on the removal or sale of blended special fuel as
14 provided in RCW 82.38.030(7)(e).

15 (5) A licensed dyed special fuel user shall ~~((remit))~~ be liable for
16 and pay tax to the department on the use of dyed special fuel as
17 provided in RCW 82.38.030(7)(f).

18 (6) Nothing in this chapter prohibits the licensee liable for
19 payment of the tax under this chapter from including as a part of the
20 selling price an amount equal to such tax.

21 **Sec. 29.** RCW 82.38.050 and 1990 c 250 s 82 are each amended to
22 read as follows:

23 ~~((Except as otherwise provided in this chapter, every special fuel~~
24 ~~user shall be liable for the tax on special fuel used in motor vehicles~~
25 ~~leased to the user for thirty days or more and operated on the highways~~
26 ~~of this state to the same extent and in the same manner as special fuel~~
27 ~~used in his own motor vehicles and operated on the highways of this~~
28 ~~state:—PROVIDED, That))~~ A lessor who is engaged regularly in the
29 business of leasing or renting for compensation motor vehicles and
30 equipment he owns without drivers to carriers or other lessees for
31 interstate operation, may be deemed to be the special fuel user when he
32 supplies or pays for the special fuel consumed in such vehicles, and
33 such lessor may be issued ~~((a))~~ an international fuel tax agreement
34 license ~~((as a special fuel user))~~ when application and bond have been
35 properly filed with and approved by the department for such license.
36 Any lessee may exclude motor vehicles of which he or she is the lessee

1 from reports and liabilities pursuant to this chapter, but only if the
2 motor vehicles in question have been leased from a lessor holding a
3 valid (~~((special fuel user's))~~) international fuel tax agreement license.

4 (~~(Every such lessor shall file with the application for a special
5 fuel user's license one copy of the lease form or service contract the
6 lessor enters into with the various lessees of the lessor's motor
7 vehicles.)~~) When the (~~((special fuel user's))~~) license has been secured,
8 such lessor shall make and assign to each motor vehicle leased for
9 interstate operation a photocopy of such license to be carried in the
10 cab compartment of the motor vehicle and on which shall be typed or
11 printed on the back the unit or motor number of the motor vehicle to
12 which it is assigned and the name of the lessee. Such lessor shall be
13 responsible for the proper use of such photocopy of the license issued
14 and its return to the lessor with the motor vehicle to which it is
15 assigned.

16 The lessor shall be responsible for fuel tax licensing and
17 reporting, as required by this chapter, on the operation of all motor
18 vehicles leased to others for less than thirty days.

19 **Sec. 30.** RCW 82.38.090 and 1998 c 176 s 61 are each amended to
20 read as follows:

21 (1) It shall be unlawful for any person to engage in business in
22 this state as any of the following unless the person is the holder of
23 an uncanceled license issued to him or her by the department
24 authorizing the person to engage in that business:

25 (a) Special fuel supplier;

26 (b) (~~((Special fuel distributor;~~

27 ~~(e))) Special fuel exporter;~~

28 (~~((d))) (c) Special fuel importer;~~

29 (~~((e))) (d) Special fuel blender;~~

30 (~~((f))) (e) Dyed special fuel user; or~~

31 (~~((g))) (f) International fuel tax agreement licensee.~~

32 (2) A person engaged in more than one activity for which a license
33 is required must have a separate license classification for each
34 activity, but a special fuel supplier is not required to obtain a
35 separate license classification for any other activity for which a
36 license is required.

1 (3) Special fuel users operating motor vehicles in interstate
2 commerce having two axles and a gross vehicle weight or registered
3 gross vehicle weight not exceeding twenty-six thousand pounds are not
4 required to be licensed. Special fuel users operating motor vehicles
5 in interstate commerce having two axles and a gross vehicle weight or
6 registered gross vehicle weight exceeding twenty-six thousand pounds,
7 or having three or more axles regardless of weight, or a combination of
8 vehicles, when the combination exceeds twenty-six thousand pounds gross
9 vehicle weight, must comply with the licensing and reporting
10 requirements of this chapter. A copy of the license must be carried in
11 each motor vehicle entering this state from another state or province.

12 **Sec. 31.** RCW 82.38.100 and 1999 c 270 s 2 are each amended to read
13 as follows:

14 (1) Any special fuel user operating a motor vehicle into this state
15 for commercial purposes may make application for a trip permit that
16 shall be good for a period of three consecutive days beginning and
17 ending on the dates specified on the face of the permit issued, and
18 only for the vehicle for which it is issued.

19 (2) Every permit shall identify, as the department may require, the
20 vehicle for which it is issued and shall be completed in its entirety,
21 signed, and dated by the operator before operation of the vehicle on
22 the public highways of this state. Correction of data on the permit
23 such as dates, vehicle license number, or vehicle identification number
24 invalidates the permit. A violation of, or a failure to comply with,
25 this subsection is a gross misdemeanor.

26 (3) For each permit issued, there shall be collected a filing fee
27 of one dollar, an administrative fee of ten dollars, and an excise tax
28 of nine dollars. Such fees and tax shall be in lieu of the special
29 fuel tax otherwise assessable against the permit holder for importing
30 and using special fuel in a motor vehicle on the public highways of
31 this state, and no report of mileage shall be required with respect to
32 such vehicle. Trip permits will not be issued if the applicant has
33 outstanding fuel taxes, penalties, or interest owing to the state or
34 has had a special fuel license revoked for cause and the cause has not
35 been removed.

36 (4) Blank permits may be obtained from field offices of the
37 department of transportation, (~~Washington state patrol,~~) department

1 of licensing, or other agents appointed by the department. The
2 department may appoint county auditors or businesses as agents for the
3 purpose of selling trip permits to the public. County auditors or
4 businesses so appointed may retain the filing fee collected for each
5 trip permit to defray expenses incurred in handling and selling the
6 permits.

7 (5) A surcharge of five dollars is imposed on the issuance of trip
8 permits. The portion of the surcharge paid by motor carriers must be
9 deposited in the motor vehicle fund for the purpose of supporting
10 vehicle weigh stations, weigh-in-motion programs, and the commercial
11 vehicle information systems and networks program. The remaining
12 portion of the surcharge must be deposited in the motor vehicle fund
13 for the purpose of supporting congestion relief programs. All other
14 fees and excise taxes collected by the department for trip permits
15 shall be credited and deposited in the same manner as the special fuel
16 tax collected under this chapter and shall not be subject to exchange,
17 refund, or credit.

18 **Sec. 32.** RCW 82.38.110 and 2002 c 352 s 26 are each amended to
19 read as follows:

20 (1) Application for a license issued under this chapter shall be
21 made to the department. The application shall be filed upon a form
22 prepared and furnished by the department and shall contain such
23 information as the department deems necessary.

24 (2) Every application for a special fuel license, other than an
25 application for a dyed special fuel user or international fuel tax
26 agreement license, must contain the following information to the extent
27 it applies to the applicant:

28 (a) Proof as the department shall require concerning the
29 applicant's identity, including but not limited to his or her
30 fingerprints or those of the officers of a corporation making the
31 application;

32 (b) The applicant's form and place of organization including proof
33 that the individual, partnership, or corporation is licensed to do
34 business in this state;

35 (c) The qualification and business history of the applicant and any
36 partner, officer, or director;

1 (d) The applicant's financial condition or history including a bank
2 reference and whether the applicant or any partner, officer, or
3 director has ever been adjudged bankrupt or has an unsatisfied judgment
4 in a federal or state court;

5 (e) Whether the applicant has been adjudged guilty of a crime that
6 directly relates to the business for which the license is sought and
7 the time elapsed since the conviction is less than ten years, or has
8 suffered a judgment within the preceding five years in a civil action
9 involving fraud, misrepresentation, or conversion and in the case of a
10 corporation or partnership, all directors, officers, or partners.

11 (3) An applicant for a license as a special fuel importer must list
12 on the application each state, province, or country from which the
13 applicant intends to import fuel and, if required by the state,
14 province, or country listed, must be licensed or registered for special
15 fuel tax purposes in that state, province, or country.

16 (4) An applicant for a license as a special fuel exporter must list
17 on the application each state, province, or country to which the
18 exporter intends to export special fuel received in this state by means
19 of a transfer outside the bulk transfer-terminal system and, if
20 required by the state, province, or country listed, must be licensed or
21 registered for special fuel tax purposes in that state, province, or
22 country.

23 (5) An applicant for a license as a special fuel supplier must have
24 a federal certificate of registry that is issued under the internal
25 revenue code and authorizes the applicant to enter into federal tax-
26 free transactions on special fuel in the terminal transfer system.

27 (6) After receipt of an application for a license, the director
28 shall conduct an investigation to determine whether the facts set forth
29 are true. The director shall require a fingerprint record check of the
30 applicant through the Washington state patrol criminal identification
31 system and the federal bureau of investigation before issuance of a
32 license. The results of the background investigation including
33 criminal history information may be released to authorized department
34 personnel as the director deems necessary. The department shall charge
35 a license holder or license applicant a fee of fifty dollars for each
36 background investigation conducted.

37 (7) An applicant who makes a false statement of a material fact on

1 the application may be prosecuted for false swearing as defined by RCW
2 9A.72.040.

3 (8) A special fuel license may not be issued to any person or
4 continued in force unless such person has furnished bond, as defined in
5 RCW 82.38.020, in such form as the department may require, to secure
6 his or her compliance with this chapter, and the payment of any and all
7 taxes, interest, and penalties due and to become due hereunder. The
8 requirement of furnishing a bond may be waived: (a) ~~((For special fuel
9 distributors who only deliver special fuel into the fuel tanks of
10 marine vessels; (b)))~~ For dyed special fuel users; ~~((+e))~~ and (b) for
11 persons issued licenses under the international fuel tax agreement ~~((+
12 or (d) for licensed special fuel distributors who, upon determination
13 by the department, have sufficient resources, assets, other financial
14 instruments, or other means to adequately make payments on the
15 estimated monthly motor vehicle fuel tax payments, penalties, and
16 interest arising out of this chapter. The department shall adopt rules
17 to administer this section))~~.

18 (9) The department may require a licensee to post a bond if the
19 licensee, after having been licensed, has failed to file timely reports
20 or has failed to remit taxes due, or when an investigation or audit
21 indicates problems severe enough that the department, in its
22 discretion, determines that a bond is required to protect the interests
23 of the state. The department may also adopt rules prescribing
24 conditions that, in the department's discretion, require a bond to
25 protect the interests of the state.

26 (10) The total amount of the bond or bonds required of any licensee
27 shall be equivalent to three times the estimated monthly fuel tax,
28 determined in such manner as the department may deem proper: PROVIDED,
29 That those licensees having held a special fuel license for five or
30 more years without having said license suspended or revoked by the
31 department shall be permitted to reduce the amount of their bond to
32 twice the estimated monthly tax liability: PROVIDED FURTHER, That the
33 total amount of the bond or bonds shall never be less than five hundred
34 dollars nor more than one hundred thousand dollars.

35 (11) An application for a dyed special fuel user license must be
36 made to the department. The application must be filed upon a form
37 prescribed by the department and contain such information as the
38 department deems necessary.

1 (12) An application for an international fuel tax agreement license
2 must be made to the department. The application must be filed upon a
3 form prescribed by the department and contain such information as the
4 department may require. The department shall charge a fee of ten
5 dollars per set of International Fuel Tax Agreement decals issued to
6 each applicant or licensee. The department shall transmit the fee to
7 the state treasurer for deposit in the motor vehicle fund.

8 **Sec. 33.** RCW 82.38.130 and 1998 c 176 s 65 are each amended to
9 read as follows:

10 The department may revoke the license of any licensee for any of
11 the grounds constituting cause for denial of a license set forth in RCW
12 82.38.120 or for other reasonable cause. Before revoking such license
13 the department shall notify the licensee to show cause within twenty
14 days of the date of the notice why the license should not be revoked:
15 PROVIDED, That at any time prior to and pending such hearing the
16 department may, in the exercise of reasonable discretion, suspend such
17 license.

18 The department shall cancel any special fuel license immediately
19 upon surrender thereof by the holder.

20 Any surety on a bond furnished by a licensee as provided in this
21 chapter shall be released and discharged from any and all liability to
22 the state accruing on such bond after the expiration of forty-five days
23 from the date which such surety shall have lodged with the department
24 a written request to be released and discharged, but this provision
25 shall not operate to relieve, release, or discharge the surety from any
26 liability already accrued or which shall accrue before the expiration
27 of the forty-five day period. The department shall promptly, upon
28 receiving any such request, notify the licensee who furnished the bond,
29 and unless the licensee, on or before the expiration of the forty-five
30 day period, files a new bond, in accordance with this section, the
31 department ((forthwith)) shall cancel the ((~~special fuel dealer's or~~
32 ~~special fuel user's~~)) license.

33 The department may require a new or additional surety bond of the
34 character specified in RCW 82.38.020(3) if, in its opinion, the
35 security of the surety bond therefor filed by such licensee, shall
36 become impaired or inadequate. Upon failure of the licensee to give
37 such new or additional surety bond within forty-five days after being

1 requested to do so by the department, or after he or she shall fail or
2 refuse to file reports and remit or pay taxes at the intervals fixed by
3 the department, the department forthwith shall cancel his or her
4 license.

5 **Sec. 34.** RCW 82.38.140 and 1998 c 176 s 66 are each amended to
6 read as follows:

7 (1) Every licensee and every person importing, manufacturing,
8 refining, (~~dealing in,~~) transporting, blending, or storing special
9 fuel in this state shall keep for a period of not less than five years
10 open to inspection at all times during the business hours of the day to
11 the department or its authorized representatives, a complete record of
12 all special fuel purchased or received and all of such products sold,
13 delivered, or used by them. Such records shall show:

14 (a) The date of each receipt;

15 (b) The name and address of the person from whom purchased or
16 received;

17 (c) The number of gallons received at each place of business or
18 place of storage in the state of Washington;

19 (d) The date of each sale or delivery;

20 (e) The number of gallons sold, delivered, or used for taxable
21 purposes;

22 (f) The number of gallons sold, delivered, or used for any purpose
23 not subject to the tax imposed in this chapter;

24 (g) The name, address, and special fuel license number of the
25 purchaser if the special fuel tax is not collected on the sale or
26 delivery;

27 (h) The inventories of special fuel on hand at each place of
28 business at the end of each month.

29 (2)(a) All international fuel tax agreement licensees and dyed
30 special fuel users authorized to use dyed special fuel on highway in
31 vehicles licensed for highway operation shall maintain detailed mileage
32 records on an individual vehicle basis.

33 (b) Such operating records shall show both on-highway and off-
34 highway usage of special fuel on a daily basis for each vehicle.

35 (c) In the absence of operating records that show both on-highway
36 and off-highway usage of special fuel on a daily basis for each
37 vehicle, fuel consumption must be computed under RCW 82.38.060.

1 (3) The department may require a person other than a licensee
2 engaged in the business of selling, purchasing, distributing, storing,
3 transporting, or delivering special fuel to submit periodic reports to
4 the department regarding the disposition of the fuel. The reports must
5 be on forms prescribed by the department and must contain such
6 information as the department may require.

7 (4) Every person operating any conveyance for the purpose of
8 hauling, transporting, or delivering special fuel in bulk shall have
9 and possess during the entire time the person is hauling special fuel,
10 an invoice, bill of sale, or other statement showing the name, address,
11 and license number of the seller or consigner, the destination, name,
12 and address of the purchaser or consignee, license number, if
13 applicable, and the number of gallons. The person hauling such special
14 fuel shall at the request of any law enforcement officer or authorized
15 representative of the department, or other person authorized by law to
16 inquire into, or investigate those types of matters, produce for
17 inspection such invoice, bill of sale, or other statement and shall
18 permit such official to inspect and gauge the contents of the vehicle.

19 **Sec. 35.** RCW 82.38.150 and 1998 c 176 s 67 are each amended to
20 read as follows:

21 For the purpose of determining the amount of liability for the tax
22 herein imposed, and to periodically update license information, each
23 licensee, other than ((~~a special fuel distributor,~~)) an international
24 fuel tax agreement licensee((~~,~~)) or a dyed special fuel user, shall
25 file monthly tax reports with the department, on forms prescribed by
26 the department.

27 Dyed special fuel users whose estimated yearly tax liability is two
28 hundred fifty dollars or less, shall file a report yearly, and dyed
29 special fuel users whose estimated yearly tax liability is more than
30 two hundred fifty dollars, shall file reports quarterly. Special fuel
31 users licensed under the international fuel tax agreement shall file
32 reports quarterly. ((~~Special fuel distributors~~)) Heating oil dealers
33 subject to the pollution liability insurance agency fee and reporting
34 requirements shall remit pollution liability insurance agency returns
35 and any associated payment due to the department annually.

36 The department shall establish the reporting frequency for each
37 applicant at the time the special fuel license is issued. If it

1 becomes apparent that any licensee is not reporting in accordance with
2 the above schedule, the department shall change the licensee's
3 reporting frequency by giving thirty days' notice to the licensee by
4 mail to the licensee's address of record. A report shall be filed with
5 the department even though no special fuel was used, or tax is due, for
6 the reporting period. Each tax report shall contain a declaration by
7 the person making the same, to the effect that the statements contained
8 therein are true and are made under penalties of perjury, which
9 declaration shall have the same force and effect as a verification of
10 the report and is in lieu of such verification. The report shall show
11 such information as the department may reasonably require for the
12 proper administration and enforcement of this chapter. (~~For counties
13 within which an additional excise tax on special fuel has been levied
14 by that jurisdiction under RCW 82.80.010, the report must show the
15 quantities of special fuel sold, distributed, or withdrawn from bulk
16 storage by the reporting dealer or user within the county's boundaries
17 and the tax liability from its levy.~~) A licensee shall file a tax
18 report on or before the twenty-fifth day of the next succeeding
19 calendar month following the period to which it relates.

20 Subject to the written approval of the department, tax reports may
21 cover a period ending on a day other than the last day of the calendar
22 month. Taxpayers granted approval to file reports in this manner will
23 file such reports on or before the twenty-fifth day following the end
24 of the reporting period. No change to this reporting period will be
25 made without the written authorization of the department.

26 If the final filing date falls on a Saturday, Sunday, or legal
27 holiday the next secular or business day shall be the final filing
28 date. Such reports shall be considered filed or received on the date
29 shown by the post office cancellation mark stamped upon an envelope
30 containing such report properly addressed to the department, or on the
31 date it was mailed if proof satisfactory to the department is available
32 to establish the date it was mailed.

33 The department, if it deems it necessary in order to insure payment
34 of the tax imposed by this chapter, or to facilitate the administration
35 of this chapter, has the authority to require the filing of reports and
36 tax remittances at shorter intervals than one month if, in its opinion,
37 an existing bond has become insufficient.

1 **Sec. 36.** RCW 82.38.160 and 2005 c 260 s 2 are each amended to read
2 as follows:

3 (1) The tax imposed by this chapter shall be computed by
4 multiplying the tax rate per gallon provided in this chapter by the
5 number of gallons of special fuel subject to the special fuel tax.

6 ~~(2) ((A special fuel distributor shall remit tax on special fuel
7 purchased from a special fuel supplier, and due to the state for that
8 reporting period, to the special fuel supplier.~~

9 ~~(3) At the election of the distributor, the payment of the special
10 fuel tax owed on special fuel purchased from a supplier shall be
11 remitted to the supplier on terms agreed upon between the distributor
12 and the supplier or no later than seven business days before the
13 twenty-sixth day of the following month. This election shall be
14 subject to a condition that the distributor's remittances of all
15 amounts of special fuel tax due to the supplier shall be paid by
16 electronic funds transfer. The distributor's election may be
17 terminated by the supplier if the distributor does not make timely
18 payments to the supplier as required by this section. This section
19 shall not apply if the distributor is required by the supplier to pay
20 cash or cash equivalent for special fuel purchases.~~

21 ~~(4))~~ Except as provided in subsection ~~((+5))~~ (3) of this section,
22 the tax return shall be accompanied by a remittance payable to the
23 state treasurer covering the tax amount determined to be due for the
24 reporting period.

25 ~~((+5))~~ (3) If the tax is paid by electronic funds transfer, the
26 tax shall be paid on or before the twenty-sixth calendar day of the
27 month immediately following the reporting period. If the payment due
28 date falls on a Saturday, Sunday, or legal holiday the next business
29 day will be the payment date. If the tax is paid by electronic funds
30 transfer and the reporting period ends on a day other than the last day
31 of a calendar month as provided in RCW 82.38.150, the tax shall be paid
32 on or before the last state business day of the thirty-day period
33 following the end of the reporting period.

34 ~~((+6))~~ (4) The tax shall be paid by electronic funds transfer
35 whenever the amount due is fifty thousand dollars or more.

36 **Sec. 37.** RCW 82.38.180 and 1998 c 176 s 71 are each amended to
37 read as follows:

1 Any person who has purchased special fuel on which tax has been
2 paid (~~(a special fuel tax either directly or to the vendor from whom it~~
3 ~~was purchased))~~) may file a claim with the department for a refund of
4 the tax (~~(so paid and shall be reimbursed and repaid the amount of))~~
5 for:

6 (1) (~~(Any))~~ Taxes previously paid on special fuel used for purposes
7 other than for the propulsion of motor vehicles upon the public
8 highways in this state.

9 (2) (~~(Any))~~ Taxes previously paid on special fuel exported for use
10 outside of this state. Special fuel carried from this state in the
11 fuel tank of a motor vehicle is deemed to be exported from this state.
12 Special fuel distributed to a federally recognized Indian tribal
13 reservation located within the state of Washington is not considered
14 exported outside this state.

15 (3) (~~(Any))~~ Tax, penalty, or interest erroneously or illegally
16 collected or paid.

17 (4) (~~(Any))~~ Taxes previously paid on all special fuel which is lost
18 or destroyed, while applicant shall be the owner thereof, through fire,
19 lightning, flood, wind storm, or explosion.

20 (5) (~~(Any))~~ Taxes previously paid on all special fuel of five
21 hundred gallons or more which is lost or destroyed while applicant
22 shall be the owner thereof, through leakage or other casualty except
23 evaporation, shrinkage, or unknown causes.

24 (6) (~~(Any))~~ Taxes previously paid on special fuel that is
25 inadvertently mixed with dyed special fuel.

26 Recovery for such loss or destruction under either subsection (4),
27 (5), or (6) of this section must be susceptible to positive proof
28 thereby enabling the department to conduct such investigation and
29 require such information as (~~(they))~~ it may deem necessary. In the
30 event that the department is not satisfied that the fuel was lost,
31 destroyed, or contaminated as claimed because information or proof as
32 required hereunder is not sufficient to substantiate the accuracy of
33 the claim, (~~(they))~~ it may deem such as sufficient cause to deny all
34 right relating to the refund or credit for the excise tax paid on
35 special fuel alleged to be lost or destroyed.

36 No refund or claim for credit shall be approved by the department
37 unless the gallons of special fuel claimed as nontaxable satisfy the
38 conditions specifically set forth in this section and the nontaxable

1 event or use occurred during the period covered by the refund claim.
2 Refunds or claims for credit (~~(by sellers or users of special fuel)~~)
3 shall not be allowed for anticipated nontaxable use or events.

4 **Sec. 38.** RCW 82.38.270 and 2003 c 358 s 14 are each amended to
5 read as follows:

6 (1) It is unlawful for a person or corporation to:

7 (a) Have dyed diesel in the fuel supply tank of a vehicle that is
8 licensed or required to be licensed for highway use or maintain dyed
9 diesel in bulk storage for highway use, unless the person or
10 corporation maintains an uncanceled dyed diesel user license or is
11 otherwise exempted by this chapter;

12 (b) Evade a tax or fee imposed under this chapter;

13 (c) File a false statement of a material fact on a special fuel
14 license application or special fuel refund application;

15 (d) Act as a special fuel importer, special fuel blender, or
16 special fuel supplier unless the person holds an uncanceled special
17 fuel license issued by the department authorizing the person to engage
18 in that business;

19 (e) Knowingly assist another person to evade a tax or fee imposed
20 by this chapter;

21 (f) Knowingly operate a conveyance for the purpose of hauling,
22 transporting, or delivering special fuel in bulk and not possess an
23 invoice, bill of sale, or other statement showing the name, address,
24 and tax license number of the seller or consignor, the destination, the
25 name, address, and tax license number of the purchaser or consignee,
26 and the number of gallons.

27 (2)(a) A single violation of subsection (1)(a) of this section is
28 a gross misdemeanor under chapter 9A.20 RCW.

29 (b) Multiple violations of subsection (1)(a) of this section and
30 violations of subsection (1)(b) through (f) of this section are a class
31 C felony under chapter 9A.20 RCW.

32 (3) In addition to other penalties and remedies provided by law,
33 the court shall order a person or corporation found guilty of violating
34 subsection (1)(b) through (f) of this section to:

35 (a) Pay the tax or fee evaded plus interest, commencing at the date
36 the tax or fee was first due, at the rate of twelve percent per year,
37 compounded monthly; and

1 (b) Pay a penalty of one hundred percent of the tax evaded, to the
2 multimodal transportation account of the state.

3 (4) The tax imposed by this chapter is held in trust by the
4 licensee until paid to the department, and a licensee who appropriates
5 the tax to his or her own use or to any use other than the payment of
6 the tax on the due date as prescribed in this chapter is guilty of a
7 felony or gross misdemeanor in accordance with the theft and
8 anticipatory provisions of Title 9A RCW. A person, partnership,
9 corporation, or corporate officer who fails to pay to the department
10 the tax imposed by this chapter is personally liable to the state for
11 the amount of the tax.

12 **Sec. 39.** RCW 82.38.310 and 1995 c 320 s 3 are each amended to read
13 as follows:

14 ~~((The department of licensing may enter into an agreement with any~~
15 ~~federally recognized Indian tribe located on a reservation within this~~
16 ~~state regarding the imposition, collection, and use of this state's~~
17 ~~special fuel tax, or the budgeting or use of moneys in lieu thereof,~~
18 ~~upon terms substantially the same as those in the consent decree~~
19 ~~entered by the federal district court (Eastern District of Washington)~~
20 ~~in *Confederated Tribes of the Colville Reservation v. DOL, et al.*,~~
21 ~~District Court No. CY 92 248 JLO.))~~ The department of licensing, within
22 one year after the effective date of this act, or within one year after
23 the opening of the first tribally licensed retail station, may enter
24 into an agreement with any federally recognized Indian tribe located on
25 a reservation in this state regarding payment of fuel taxes included on
26 fuel delivered to a retail station owned and operated by a tribe,
27 tribal enterprise, or tribal member licensed by the tribe to operate a
28 retail station located on reservation or trust property. The agreement
29 must be between the department and the tribe, and be based on a formula
30 incorporating the average gallons of fuel used annually by drivers in
31 Washington, the number of enrolled tribal members living on or near the
32 reservation, and the current gas tax amount. The formula may be
33 adjusted annually for changes in the enrolled tribal population and as
34 required by changes to the amount of the fuel tax. The provisions of
35 this act do not repeal existing state/tribal fuel tax compacts in
36 existence on the effective date of this act.

1 **Sec. 40.** RCW 82.38.320 and 1998 c 176 s 83 are each amended to
2 read as follows:

3 (1) An international fuel tax agreement licensee who meets the
4 qualifications in subsection (2) of this section may be given special
5 authorization by the department to purchase special fuel delivered into
6 bulk storage without payment of the special fuel tax at the time the
7 fuel is purchased. The special authorization applies only to full
8 truck-trailer loads filled at a terminal rack and delivered directly to
9 the bulk storage facilities of the special authorization holder. The
10 licensee shall pay special fuel tax on the fuel at the time the
11 licensee files their international fuel tax agreement tax return and
12 accompanying schedule with the department. The accompanying schedule
13 shall be provided in a form and manner determined by the department and
14 shall contain information on purchases and usage of all nondyed special
15 fuel purchased during the reporting period. In addition, by the
16 fifteenth day of the month following the month in which fuel under the
17 special authorization was purchased, the licensee must report to the
18 department, the name of the seller and the number of gallons purchased
19 for each purchase of such fuel, and any other information as the
20 department may require.

21 (2) To receive or maintain special authorization under subsection
22 (1) of this section, the following conditions regarding the
23 international fuel tax agreement licensee must apply:

24 (a) During the period encompassing the four consecutive calendar
25 quarters immediately preceding the fourth calendar quarter of the
26 previous year, the number of gallons consumed outside the state of
27 Washington as reported on the licensee's international fuel tax
28 agreement tax returns must have been equal to at least twenty percent
29 of the nondyed special fuel gallons, including fuel used on-road and
30 off-road, purchased by the licensee in the state of Washington, as
31 reported on the accompanying schedules required under subsection (1) of
32 this section;

33 (b) The licensee must have been licensed under the provisions of
34 the international fuel tax agreement during each of the four
35 consecutive calendar quarters immediately preceding the fourth calendar
36 quarter of the previous year; and

37 (c) The licensee has not violated the reporting requirements of
38 this section.

1 (3) Only a licensed special fuel supplier or special fuel importer
2 may sell special fuel to a special authorization holder in the manner
3 prescribed by this section.

4 (4) A special fuel (~~(distributor)~~) supplier or importer who sells
5 special fuel under the special authorization provisions of this section
6 is not liable for the special fuel tax on the fuel. (~~By the fifteenth~~
7 ~~day of the month following the month in which the fuel was sold, the~~
8 ~~special fuel distributor shall report to the department, the name and~~
9 ~~special authorization number of the purchaser and the number of gallons~~
10 ~~sold for each purchase of such special fuel, and any other information~~
11 ~~as the department may require.)) The special fuel supplier or importer
12 will report such sales, in a manner prescribed by the department, at
13 the time the special fuel supplier or importer submits the monthly tax
14 report.~~

15 (~~(4) A supplier selling special fuel under the provisions of this~~
16 ~~section shall not be responsible for taxes due for special fuel~~
17 ~~purchased under the provisions of this section.~~

18 (5) ~~An international fuel tax agreement licensee who qualifies for~~
19 ~~a special authorization under this section for calendar year 1999 is~~
20 ~~not subject to the special fuel user requirements of RCW 82.38.289.)~~

21 NEW SECTION. Sec. 41. The following acts or parts of acts are
22 each repealed:

23 (1) RCW 82.36.042 (Notice by supplier of distributor's failure to
24 pay tax--License suspension--Notice to suppliers--Revocation or
25 suspension upon continued noncompliance) and 1998 c 176 s 14;

26 (2) RCW 82.36.044 (Credit for worthless accounts receivable--
27 Report--Adjustment) and 1998 c 176 s 15;

28 (3) RCW 82.36.273 (Refunds to licensee for fuel purchased by exempt
29 person--Exception--Invoice or proof) and 1998 c 176 s 35;

30 (4) RCW 82.36.305 (Refunds to dealer delivering fuel exclusively
31 for marine use--Limitations--Supporting certificate) and 1965 ex.s. c
32 79 s 12 & 1961 c 15 s 82.36.305;

33 (5) RCW 82.36.360 (Separate invoices for nontaxed fuel) and 1961 c
34 15 s 82.36.360;

35 (6) RCW 82.36.373 (Refund for worthless accounts receivable--
36 Rules--Apportionment after receipt) and 1998 c 176 s 43;

1 (7) RCW 82.36.407 (Tax liability of user--Payment--Exceptions) and
2 1998 c 176 s 48;

3 (8) RCW 82.38.070 (Credit for sales for which no consideration was
4 received--Report--Adjustment) and 1998 c 176 s 58, 1990 c 250 s 83, &
5 1971 ex.s. c 175 s 8;

6 (9) RCW 82.38.071 (Refund for worthless accounts receivable--
7 Rules--Apportionment after receipt) and 1998 c 176 s 59;

8 (10) RCW 82.38.081 (Exemptions--Motor vehicle fuel used for racing)
9 and 1998 c 115 s 6;

10 (11) RCW 82.38.165 (Notice by supplier of distributor's failure to
11 pay tax--License suspension--Notice to suppliers--Revocation or
12 suspension upon continued noncompliance) and 1998 c 176 s 69;

13 (12) RCW 82.38.185 (Refunds--Tax paid purchased by exempt person--
14 Application) and 1998 c 176 s 73; and

15 (13) RCW 82.38.285 (Tax liability of user--Exceptions) and 1998 c
16 176 s 81.

17 NEW SECTION. **Sec. 42.** If any provision of this act or its
18 application to any person or circumstance is held invalid, the
19 remainder of the act or the application of the provision to other
20 persons or circumstances is not affected.

21 NEW SECTION. **Sec. 43.** This act is necessary for the immediate
22 preservation of the public peace, health, or safety, or support of the
23 state government and its existing public institutions, and takes effect
24 immediately.

--- END ---