

# SENATE BILL REPORT

## SB 5799

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As Reported By Senate Committee On:  
Transportation, February 5, 2007  
Ways & Means, April 2, 2007

**Title:** An act relating to business and occupation tax rates for certain fuel distributors.

**Brief Description:** Reducing business and occupation tax rates for certain fuel distributors.

**Sponsors:** Senators Haugen, Prentice, Swecker, Berkey, Marr, Kilmer, Clements, Sheldon, Schoesler and Shin.

**Brief History:**

**Committee Activity:** Transportation: 2/05/07 [DPS-WM].  
Ways & Means: 2/19/07, 4/02/07 [DP2S].

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### SENATE COMMITTEE ON TRANSPORTATION

**Majority Report:** That Substitute Senate Bill No. 5799 be substituted therefor, and the substitute bill do pass and be referred to Committee on Ways & Means.

Signed by Senators Haugen, Chair; Marr, Vice Chair; Murray, Vice Chair; Swecker, Ranking Minority Member; Berkey, Clements, Delvin, Eide, Holmquist, Jacobsen, Kauffman, Kilmer, Sheldon and Spanel.

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

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### SENATE COMMITTEE ON WAYS & MEANS

**Majority Report:** That Second Substitute Senate Bill No. 5799 be substituted therefor, and the second substitute bill do pass.

Signed by Senators Prentice, Chair; Fraser, Vice Chair, Capital Budget Chair; Pridemore, Vice Chair, Operating Budget; Zarelli, Ranking Minority Member; Brandland, Carrell, Hatfield, Hobbs, Honeyford, Keiser, Kohl-Welles, Parlette, Rasmussen, Regala, Roach, Rockefeller, Schoesler and Tom.

**Staff:** Dean Carlson (786-7305)

**Background:** The business and occupation (B&O) tax is levied for the privilege of doing business in Washington. The tax is levied on the gross receipts of all business activities conducted within the state. There are no deductions for the costs of doing business. The three

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principal rates are 0.484 percent for manufacturing and wholesaling, 0.471 percent for retailing, and 1.5 percent for services.

The rate for persons engaged in selling tangible personal property at wholesale is 0.484 percent. This applies sales made by motor vehicle fuel and special fuel distributors who buy from a supplier and then sell fuel to a retailer.

**Summary of Bill:** The bill as referred to committee not considered.

**SUMMARY OF RECOMMENDED SUBSTITUTE AS PASSED COMMITTEE (Transportation):** Effective July 1, 2007, until July 1, 2010, the B&O tax rate for motor and special fuel distributors is reduced from 0.484 percent to 0.2904 percent. The reduced rate does not apply to motor vehicle fuel distributors that are also licensed as suppliers.

**EFFECT OF CHANGES MADE BY RECOMMENDED SECOND SUBSTITUTE AS PASSED COMMITTEE (Ways & Means):** Effective July 1, 2007, until July 1, 2012, the B&O tax rate for motor and special fuel distributors is reduced from 0.484 percent to 0.2904 percent. The reduced rate does not apply to motor vehicle fuel distributors that are also licensed as suppliers, importers, exporters, or blenders.

**Appropriation:** None.

**Fiscal Note:** Available.

**Committee/Commission/Task Force Created:** No.

**Effective Date:** The bill contains an emergency clause and takes effect on July 1, 2007.

**Staff Summary of Public Testimony (Transportation):** None.

**Persons Testifying (Transportation):** No one.

**Staff Summary of Public Testimony (Ways & Means):** PRO: This bill has to do with the tribal fuel tax law suit. This law suit leaves the state at risk for the fuel taxes, so we need to restructure. This bill will provide relief to people hurt by the tribal fuel tax bill. If SB 5272 passes in its current form, I would be paying the supplier \$900,000 40 days earlier and that would cause me to go bankrupt.

OTHER: We need the relief in this bill, but we need more than the bill provides. We suggest the bill be amended to the B&O rate to be 0.138 percent over a five year period.

**Persons Testifying (Ways & Means):** PRO: Senator Haugen, prime sponsor.

OTHER: Rod Smith, Smith Distributing; Charlie Brown, Washington Oil Marketers Association.