

HOUSE BILL REPORT

HB 1504

As Reported by House Committee On:
Transportation

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

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

Sponsors: Representatives Liias, Williams, Clibborn, Upthegrove, Hasegawa and Simpson.

Brief History:

Committee Activity:

Transportation: 2/3/09 [DP].

<p>Brief Summary of Bill</p> <ul style="list-style-type: none">• Repeals the handling loss deduction on motor vehicle fuel tax.
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HOUSE COMMITTEE ON TRANSPORTATION

Majority Report: Do pass. Signed by 15 members: Representatives Clibborn, Chair; Liias, Vice Chair; Dickerson, Driscoll, Finn, Moeller, Morris, Rolfes, Sells, Simpson, Springer, Takko, Upthegrove, Williams and Wood.

Minority Report: Do not pass. Signed by 10 members: Representatives Roach, Ranking Minority Member; Rodne, Assistant Ranking Minority Member; Armstrong, Cox, Ericksen, Herrera, Johnson, Klippert, Kristiansen and Shea.

Staff: Jerry Long (786-7306)

Background:

Licensed fuel suppliers, distributors, and importers are allowed a handling loss deduction on motor vehicle fuel and not to include special fuels, for example, diesel.

In 1939 the Legislature provided that fuel distributors could deduct 1 percent of the volume before computing the fuel tax to be remitted to the state. Originally this was to account for

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losses the distributors sustained through evaporation and handling (100 gallons per 10,000 gallons loaded).

In 1951 the Legislature reduced the handling loss deduction to 0.25 percent and deleted the term evaporation from the statute, leaving handling losses as the rationale for the deduction (25 gallons per 10,000 gallons loaded).

In 1999 the point of taxation changed from the distributor level to terminal rack level. The legislation maintained the handling loss deduction for suppliers acting as distributors at 0.25 percent and increased the handling loss deduction for distributors and importers to 0.31 percent.

The Joint Legislative Audit and Review Committee (JLARC) is required to review each tax exemption at least once every 10 years. In 2008 the JLARC reviewed this exemption (JLARC Report 09-4) and recommended that the Legislature terminate the motor fuel handling loss deduction. Their recommendation was based on today's Department of Ecology's regulations concerning the methods and equipment used in the distribution of fuel that are more strict than they were in 1939 or 1951 (1.2 gallons per 10,000 gallons loaded or a totally clean truck at nine gallons per 10,000 gallons loaded).

There are 71 licensed motor vehicle fuel suppliers, 78 licensed motor vehicle fuel distributors, and 58 licensed motor vehicle fuel importers.

Summary of Bill:

The handling loss deduction on the motor vehicle fuel tax is repealed.

Appropriation: None.

Fiscal Note: Available.

Effective Date: The bill contains an emergency clause and takes effect on July 1, 2009.

Staff Summary of Public Testimony:

(In support) The JLARC recommendation to repeal the handling loss deduction was based on the stricter rules from the Department of Ecology and methods and equipment used in the distribution of fuel. The amount of fuel now that evaporates is 1.2 gallons per 10,000 gallons loaded today as compared to 100 gallons per 10,000 gallons loaded in 1939 when this statute was originally adopted.

(Neutral) The Oil Marketers Association is supportive of the bill since the handling loss allowance repeal is for all licensed fuel handlers which is not the way it has been in the past. With the vapor recovery systems for fuel now required by the Department of Ecology, less

fuel is lost. The Legislature may also want to look at local permitting fees for service stations since they are now required to have stage two evaporation systems.

(Opposed) None.

Persons Testifying: (In support) Representative Liias, prime sponsor.

(Neutral) Charlie Brown, Washington Oil Marketers Association.

Persons Signed In To Testify But Not Testifying: None.