

SENATE BILL REPORT

SB 5027

As of February 18, 2009

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

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

Sponsors: Senators Haugen, Pridemore and Regala.

Brief History:

Committee Activity: Transportation: 2/18/09.

SENATE COMMITTEE ON TRANSPORTATION

Staff: David Ward (786-7341)

Background: Licensed motor vehicle fuel suppliers, distributors, and importers are allowed a handling loss deduction on motor vehicle fuel taxes due the state. Motor vehicle fuel does not include special fuels such as diesel or kerosene.

In 1939 the Legislature provided motor vehicle fuel distributors a deduction from motor vehicle fuel taxes owed the state an amount equal to 1 percent (100/10,000 gallons) of the volume of motor vehicle fuel delivered. This deduction was to account for fuel lost from evaporation and handling during delivery.

In 1951 the Legislature reduced the handling loss deduction to 0.25 percent (25/10,000 gallons) and deleted the term evaporation from statute.

In 1999 the incidence of fuel taxation was moved from motor vehicle fuel distributors to the terminal rack. The legislation retained the handling loss deduction for licensed motor vehicle fuel suppliers acting as distributors at 0.25 percent and increased the deduction for licensed motor fuel distributors and importers to 0.31 percent.

In 2008 a Joint Legislative Audit and Review Committee (JLARC) study of the handling loss deduction (JLARC Report 09-4) recommended the Legislature terminate the motor fuel handling loss deduction. This recommendation is based on the conclusion that modern motor vehicle fuel distribution methods and equipment result in the loss of approximately one gallon per 10,000 gallons when loaded in 'dirty' tanks (tanks that already contain motor vehicle fuel vapors) and approximately nine gallons per 10,000 gallons when loaded in a

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'clean' tank. JLARC's study indicated the bulk of motor vehicle fuel is distributed in 'dirty' tanks dedicated to fuel delivery.

Currently, there are 71 licensed motor vehicle fuel suppliers, 78 licensed motor vehicle fuel distributors, and 58 licensed motor vehicle fuel importers operating in the state.

Summary of Bill: The motor vehicle fuel tax handling loss deduction is repealed.

Appropriation: None.

Fiscal Note: Available.

[OFM requested ten-year cost projection pursuant to I-960.]

Committee/Commission/Task Force Created: No.

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

Staff Summary of Public Testimony: OTHER: 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, very little 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.

Persons Testifying: OTHER: Dan Averill, Rod Smith, Washington Oil Marketers Association.