
Transportation Committee

HB 2729

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

Sponsors: Representatives Fitzgibbon, Lias, Clibborn, Reykdal, Jinkins and Billig.

<p>Brief Summary of Bill</p> <ul style="list-style-type: none">• Repeals the handling loss deduction on the motor vehicle fuel tax.
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Hearing Date: 2/1/12

Staff: Jerry Long (786-7306).

Background:

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

Upon the taxable removal of motor vehicle fuel, the licensee who acquired or removed the motor vehicle fuel, other than a motor vehicle fuel exporter, shall be entitled to a deduction from the tax liability on the gallonage of taxable motor vehicle fuel removed in order to account for handling losses, as follows: for a motor vehicle fuel supplier acting as a distributor, 0.25 of 1 percent; and for all other licensees, 0.30 of 1 percent. For those licensees required to file tax reports, the handling loss deduction shall be reported on tax reports filed with the Department of Licensing. For motor vehicle fuel distributors, the handling loss deduction shall be shown on the invoice provided to the motor vehicle fuel distributor by the seller.

In 1921 the Legislature established the fuel tax at 1 cent per gallon and then raised the gas tax to 2 cents in 1923.

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 2008 Expedited Tax Preference Performance Reviews) 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 82 licensed motor vehicle fuel suppliers, 76 licensed motor vehicle fuel distributors, and 53 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 takes effect July 1, 2012