SENATE BILL REPORT
SB 5528

As of February 11, 2011

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 Regala and Haugen.

Brief History:
Committee Activity: Transportation: 2/10/11.

SENATE COMMITTEE ON TRANSPORTATION

Staff: Amanda Cecil (786-7429)

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 and 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 moved from motor vehicle fuel distributors to the 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.

Additionally, the board of an air pollution authority is responsible for tracking greenhouse gas emissions. They are authorized to charge the following fees:

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- an annual registration or reporting fee – emitters of greenhouse gas emissions must report to the air pollution authority and are charged a fee to compensate the authority for the cost of administering the program.
- an operating permit – issued for a term of five years and has an associated annual fee that funds the direct and indirect costs of implementing a state operating permit program.

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

Summary of Bill (Proposed Substitute): Repeals the handling loss deduction on motor vehicle fuel taxes.

Motor vehicle fuel suppliers, distributors, and importers are not required to pay an annual clean air agency registration or reporting fee unless their capacity has increased. When their capacity increases they have one month to report to the authority.

Operating permit fees imposed by clean air agencies on motor vehicle fuel suppliers, distributors, and importers may not exceed $100 annually.

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, 2011.

Staff Summary of Public Testimony: PRO: In these tough economic times it makes sense to go back and look at tax preferences put in place to ensure that they make sense. This tax preference was identified by JLARC as one that should be repealed because there is no longer a loss of fuel through air vapors. For the same reason it makes sense to adjust the fees charged by the clean air agencies because they are not emitting greenhouse gases. There is a technical issue in section 3.

Persons Testifying: PRO: Senator Regala, prime sponsor; Dave Ducharme, Dan Averill, Washington Oil Marketers Association.