

FINAL BILL REPORT

SHB 1883

C 225 L 13
Synopsis as Enacted

Brief Description: Simplifying and updating statutes related to fuel tax administration.

Sponsors: House Committee on Transportation (originally sponsored by Representatives Fitzgibbon, Orcutt, Riccelli, Farrell and Liias; by request of Department of Licensing).

House Committee on Transportation
Senate Committee on Transportation

Background:

Transportation funding in Washington is supported by a variety of taxes and fees. The majority of statewide transportation revenue comes from a 37.5-cent-per-gallon tax on motor vehicle and special fuel. The 18th Amendment to the Washington Constitution requires that the proceeds of these taxes, as well as vehicle license fees, be deposited in the Motor Vehicle Fund. Monies in that fund are restricted, again by the 18th Amendment, to highway purposes only, as defined in the amendment.

Prior to 1999 taxes on motor vehicle fuel and special fuel were collected by the Department of Licensing (DOL) from fuel distributors. At that time, there were approximately 740 licensed fuel distributors in Washington. In addition, approximately 27,000 individuals held licenses that allowed them to purchase fuel without paying taxes at the time of purchase. In 1998 the imposition of fuel taxes was modified so that it occurred at the time of removal of such fuel from the terminal rack. This is referred to as "tax-at-the-rack," and there are currently 24 terminal racks in the State of Washington. The taxes imposed at the terminal rack are remitted to the DOL.

The taxes on motor vehicle fuel, special fuel, and aviation fuel are each imposed pursuant to separate RCW chapters. These different chapters have been separately amended over time, and thus differ in a variety of ways.

Summary:

The statutory definitions are amended to reflect the consolidation of the motor vehicle and special fuel tax (fuel tax) statutes. The imposition of the fuel taxes is modified for the same purpose, and is also amended to reflect: (1) a simplified license structure (which is also

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implemented throughout the consolidated statutes), and (2) the imposition of the fuel tax when fuel enters the state outside the bulk transfer system. The establishment of liability for the fuel taxes is also consolidated in a single section, and the DOL is granted the authority to calculate tax rates related to international fuel tax agreements.

The transactions where the purchaser is exempt from the payments of fuel taxes are consolidated into a single section. The information and investigations related to applications for licenses for fuel distribution are consolidated, and the requirement that applicants for fuel tax licenses submit fingerprint cards and financial statements to the DOL is removed. The ability of the DOL to suspend, revoke, or deny a license is also included in a single section. The exemptions from fuel taxes are placed in a single section, along with certain items that were previously refunds.

Stocks of raw gasoline, gasoline stock, diesel oil, kerosene, kerosene distillates, casing head gasoline, and other petroleum products that may be used in the compounding, blending, or manufacturing of fuel are added to the record requirements imposed on persons importing, manufacturing, refining, transporting, blending, or storing fuel.

In general, the penalty rate structure is unchanged, except for failure to file a tax return and failure to timely pay taxes, which are equalized at the higher level already in place for special fuel and aircraft fuel taxes. A licensee who has been assessed a penalty for nonpayment of taxes is granted the ability to request a hearing regarding the assessment. The process for investigation of tax obligations, obtaining liens, providing notifications regarding delinquencies, and seizures and sales for delinquencies is simplified and consolidated. The unlawful acts and penalties related to fuel taxes are also consolidated in a single section.

New statutory sections related to fuel taxes are created, including ones that involve the following areas:

- bonding requirements for licensees;
- notifications regarding business status;
- penalties for violations for dyed special fuel;
- handling loss deductions;
- refunds to the aeronautics account; and
- payment of taxes by a nonlicensee.

The statutes governing the imposition and collection of aviation fuel taxes are created and modified in a variety of ways, in order to make the statutes more consistent with the fuel tax statutes, including the following:

- related definitions are consolidated in a single section;
- tax exemptions are consolidated in a single section;
- licensing requirements are modified so that the requirements are more consistent with the fuel tax requirements;
- the DOL is granted authority similar to the authority it has for fuel taxes regarding administration and enforcement, assessments, penalties and interest, delinquency, and the denial, suspension, or revocation of licenses;
- bonding requirements are established for licensees;
- standards regarding the computation, payment, collection, and refunding of taxes are established;

- notifications regarding business status are mandated; and
- standards and requirements are established for monthly reporting by licensees of fuel inventory, receipts, and distributions.

The RCW chapter governing the collection of motor vehicle fuel tax is repealed.

A variety of statutes containing references to the fuel taxes are modified to reflect the consolidation of the fuel tax statutes.

Votes on Final Passage:

House	94	3	
Senate	46	2	(Senate amended)
House	93	2	(House concurred)

Effective: July 1, 2015