

# HOUSE BILL REPORT

## HB 2041

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### As Reported by House Committee On: Transportation

**Title:** An act relating to repealing the deduction for handling losses of motor vehicle fuel.

**Brief Description:** Repealing the deduction for handling losses of motor vehicle fuel.

**Sponsors:** Representatives Clibborn, Moscoso, Fey, Fitzgibbon, Carlyle, Lias, Tarleton, Upthegrove, Pedersen, Orwall, Farrell and Tharinger.

#### **Brief History:**

##### **Committee Activity:**

Transportation: 4/19/13, 4/22/13 [DPS].

#### **Brief Summary of Substitute Bill**

- Repeals the handling loss deduction from the motor vehicle fuel tax.

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### HOUSE COMMITTEE ON TRANSPORTATION

**Majority Report:** The substitute bill be substituted therefor and the substitute bill do pass. Signed by 17 members: Representatives Clibborn, Chair; Fey, Vice Chair; Lias, Vice Chair; Moscoso, Vice Chair; Bergquist, Farrell, Fitzgibbon, Habib, Johnson, Moeller, Morris, Riccelli, Ryu, Sells, Takko, Tarleton and Upthegrove.

**Minority Report:** Do not pass. Signed by 13 members: Representatives Orcutt, Ranking Minority Member; Hargrove, Assistant Ranking Minority Member; Overstreet, Assistant Ranking Minority Member; Angel, Hayes, Klippert, Kochmar, Kretz, Kristiansen, O'Ban, Rodne, Shea and Zeiger.

**Staff:** David Munnecke (786-7315).

#### **Background:**

Licensed fuel suppliers, distributors, and importers are allowed a handling loss deduction on motor vehicle fuel, but not on special fuels such as diesel. The deductions are as follows: for a motor vehicle fuel supplier acting as a distributor, 0.25 percent; and for all other licensees,

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0.30 percent. For licensees required to file tax reports, the handling loss deduction is required to be reported on tax reports filed with the Department of Licensing. For motor vehicle fuel distributors, the handling loss deduction is required to be shown on the invoice provided to the motor vehicle fuel distributor by the seller.

Beginning in 1939, fuel distributors could deduct 1 percent of the volume of motor vehicle fuel before computing the fuel tax to be remitted to the state. Originally this was to account for losses the distributors sustained through evaporation and handling. 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. In 1999 the point of taxation changed from the distributor level to the terminal rack. That 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 0.30 percent.

In 2008 the Joint Legislative Audit and Review Committee (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 regulations concerning the methods and equipment used in the distribution of fuel, which are stricter than they were in 1939 or 1951.

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**Summary of Substitute Bill:**

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

**Substitute Bill Compared to Original Bill:**

The substitute bill adds an effective date of August 1, 2013.

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**Appropriation:** None.

**Fiscal Note:** Available.

**Effective Date of Substitute Bill:** The bill takes effect on August 1, 2013.

**Staff Summary of Public Testimony:**

(In support) None.

(Opposed) Since 2008 this issue has been before the committee several times. There is currently very little handling loss, but there are significant costs associated with the clean air agencies.

There needs to be an independent audit to determine the amount of the fee for the inspection of gasoline storage equipment. The inspection simply involves checking the couplings and fittings associated with fuel transfer, but the fees can run into the thousands of dollars. The Department of Ecology does other inspections and these inspections should all be merged together to decrease the total cost to business.

**Persons Testifying:** Dave Ducharme, Washington Oil Marketers Association.

**Persons Signed In To Testify But Not Testifying:** None.