

HOUSE BILL REPORT

2SHB 2041

As Passed House:
March 5, 2014

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: House Committee on Transportation (originally sponsored by Representatives Clibborn, Moscoso, Fey, Fitzgibbon, Carlyle, Tarleton, Upthegrove, Orwall, Farrell and Tharinger).

Brief History:

Committee Activity:

Transportation: 4/19/13, 4/22/13 [DPS], 1/22/14, 1/23/14, 1/29/14, 1/30/14 [DP2S].

Floor Activity:

Passed House: 3/5/14, 54-44.

Brief Summary of Second Substitute Bill

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

HOUSE COMMITTEE ON TRANSPORTATION

Majority Report: The second substitute bill be substituted therefor and the second substitute bill do pass. Signed by 17 members: Representatives Clibborn, Chair; Farrell, Vice Chair; Fey, Vice Chair; Moscoso, Vice Chair; Bergquist, Fitzgibbon, Freeman, Habib, Moeller, Morris, Ortiz-Self, Riccelli, Ryu, Sells, Takko, Tarleton and Walkinshaw.

Minority Report: Do not pass. Signed by 13 members: Representatives Orcutt, Ranking Minority Member; Hargrove, Assistant Ranking Minority Member; Overstreet, Assistant Ranking Minority Member; Hawkins, Hayes, Johnson, Klippert, Kochmar, Muri, Pike, Shea, Young and Zeiger.

Staff: David Munnecke (786-7315).

Background:

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.

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, 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.

Summary of Second Substitute Bill:

The handling loss deduction from the motor vehicle fuel tax is repealed.

Appropriation: None.

Fiscal Note: Available.

Effective Date: The bill takes effect on July 1, 2014.

Staff Summary of Public Testimony:

See House Bill Report in the 2013 Regular Session.

Persons Testifying: See House Bill Report in the 2013 Regular Session.

Persons Signed In To Testify But Not Testifying: See House Bill Report in the 2013 Regular Session.