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## Transportation Committee

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### HB 2041

**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.

<p><b>Brief Summary of Bill</b></p> <ul style="list-style-type: none"><li>• Repeals the handling loss deduction from the motor vehicle fuel tax.</li></ul>
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**Hearing Date:** 4/19/13

**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, 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.

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*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.*

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 Bill:**

The handling loss deduction from the motor vehicle fuel tax is repealed.

**Appropriation:** None.

**Fiscal Note:** Requested on April 18, 2013.

**Effective Date:** The bill takes effect 90 days after adjournment of the session in which the bill is passed.