

Repeal use tax exemption for fuel used to run refineries

Description This proposal would repeal the use tax exemption for fuel produced by the extractor or manufacturer when the fuel is directly used in the same extracting or manufacturing operation that produced the fuel.

Current law A use tax exemption exists, for fuel produced by an extractor or manufacturer that uses the fuel in the same extracting or manufacturing operation that produced the fuel.

- The fuels for which the exemption applies are generally wood by-products, also referred to as “hog fuel” and refinery fuel.
- Approximately 180 wood product manufacturers and 5 petroleum products refineries are eligible for the exemption.
- In its preliminary 2011 Tax Preference Review Report, the Joint Legislative Audit and Review Committee (JLARC) notes that while no refineries existed in the state when the exemption was enacted in 1949, refinery fuels account for approximately 98 percent of the estimated value of the exemption.

Revenue Impact
(\$ millions)

General Fund Impacts (\$ millions):

Fiscal Year 2012	Fiscal Year 2013	2011-2013 Biennium
\$0	\$ 20.9	\$20.9

Notes:

- Estimate assumes a July 1, 2012 effective date, representing 11 months of collections for FY 2013.
 - Estimate reflects the September 2011 Economic & Revenue Forecast Council revenue forecast.
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Expenditure Impact

Fiscal Year 2012	Fiscal Year 2013	2011-2013 Biennium
\$2,700	0	\$2,700
