

## Repeal use tax exemption for extracted fuel, manufactured, and consumed in petroleum production

**Description** This proposal would limit 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. Only wood byproducts, also referred to as “hog fuel,” would be eligible for the exemption.

**Current Law** Fuel consumed by manufacturers or extractors is exempt from use tax when the fuel is used in the process of manufacturing or extracting at the same plant.

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

**Revenue Impact**

General Fund Impacts (\$ millions)

# of Impacted Taxpayers	FY 2016	FY 2017	2015-17 Biennium	FY 2018	FY 2019	2017-19 Biennium
5	\$ -	\$ 17.7	\$ 17.7	\$ 20.1	\$ 20.8	\$ 40.8

- *Estimates assume a July 1, 2016 effective date, representing 11 months of collections for FY 2017.*
- *Estimates reflect the November 2015 Economic and Revenue Forecast Council revenue forecast.*

**Expenditure Impact**

FY 2016	FY 2017	2015-17 Biennium	FY 2018	FY 2019	2017-19 Biennium
\$ 6,400	\$ -	\$ -	\$ -	\$ -	\$ -

*Note: FY 2016 costs represent initial implementation costs and may include items such as system changes, tax return modifications and taxpayer education.*