

## SALES TAXES

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### FUEL TAX EXEMPTIONS

#### **82.36.029      MOTOR VEHICLE FUEL HANDLING LOSSES**

Description: Deduction from motor vehicle fuel tax is allowed to account for losses sustained in handling of the fuel. The reduction in tax liability equals 0.25 percent of the net taxable gallonage for vehicle fuel suppliers acting as a distributor and 0.3 percent for all other licensees.

Purpose: To reflect fuel losses resulting from handling and evaporation.

Category/Year Enacted: Other business. 1939; shifted to current statute in 1998.

Primary Beneficiaries: Distributors of motor vehicle fuel.

Possible Program Inconsistency: None evident.

<u>Taxpayer Savings (\$000)</u>	<u>FY 2004</u>	<u>FY 2005</u>	<u>FY 2006</u>	<u>FY 2007</u>
State tax	\$ 2,044	\$ 2,168	\$ 2,205	\$ 2,242
Local taxes - no local tax levied				

If the exemption were repealed, would the taxpayer savings be realized as increased revenues? Yes.

#### **82.36.230      IMPORTED AND EXPORTED FUEL 82.38.030**

Description: Exemption from motor vehicle fuel tax and special fuel tax is allowed for fuel imported into the state in interstate or foreign commerce which is intended to be sold while in interstate or foreign commerce and for any fuel that is exported from the state.

Purpose: To promote export sales by Washington fuel distributors.

Category/Year Enacted: Commerce. 1933

Primary Beneficiaries: Distributors of fuel.

Possible Program Inconsistency: None evident.

<u>Taxpayer Savings (\$000)</u>	<u>FY 2004</u>	<u>FY 2005</u>	<u>FY 2006</u>	<u>FY 2007</u>
State tax	\$876,000	\$929,000	\$945,000	\$961,000
Local taxes - no local tax levied				

If the exemption were repealed, would the taxpayer savings be realized as increased revenues? No.

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### **82.36.230 FUEL SOLD TO THE MILITARY**

Description: The federal government is exempt from motor vehicle fuel tax on fuel sold to the armed forces of the United States or to the National Guard for use exclusively in ships or for export.

Purpose: To promote such sales by Washington fuel distributors and to recognize the prohibition against taxing the federal government.

Category/Year Enacted: Government. 1933

Primary Beneficiaries: The federal government.

Possible Program Inconsistency: None evident.

<u>Taxpayer Savings (\$000)</u>	<u>FY 2004</u>	<u>FY 2005</u>	<u>FY 2006</u>	<u>FY 2007</u>
State tax	\$ 14	\$ 15	\$ 15	\$ 16
Local taxes - no local tax levied				

If the exemption were repealed, would the taxpayer savings be realized as increased revenues? No.

### **82.36.245 FUEL SOLD TO FOREIGN GOVERNMENTS**

Description: Exemption from motor vehicle fuel tax is allowed for qualified foreign diplomatic and consular missions and their qualified personnel. To qualify, the foreign country must allow similar fuel tax exemptions to employees of the U.S. government. The U.S. State Department determines which foreign consulates are eligible for the exemption.

Purpose: To recognize the rights of these individuals under treaties made by the U.S. government and to reciprocate for similar privileges granted to American embassy personnel abroad.

Category/Year Enacted: Government. 1967; amended in 1989 to allow outright exemption instead of a refund of fuel tax paid.

Primary Beneficiaries: Employees of foreign governments.

Possible Program Inconsistency: None evident.

<u>Taxpayer Savings (\$000)</u>	<u>FY 2004</u>	<u>FY 2005</u>	<u>FY 2006</u>	<u>FY 2007</u>
State tax	\$ 6	\$ 6	\$ 6	\$ 6
Local taxes - no local tax levied				

If the exemption were repealed, would the taxpayer savings be realized as increased revenues? Unlikely.

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**82.36.275      FUEL FOR URBAN TRANSPORTATION SYSTEMS**  
**82.38.080**

Description: Exemption from motor vehicle and special fuel taxes for fuel used in public transportation systems which operate within specified mileage of the city limits from which trips originate.

Purpose: To support public transportation systems.

Category/Year Enacted: Government. 1957

Primary Beneficiaries: Municipal transportation systems and their patrons.

Possible Program Inconsistency: None evident.

<u>Taxpayer Savings (\$000)</u>	<u>FY 2004</u>	<u>FY 2005</u>	<u>FY 2006</u>	<u>FY 2007</u>
State tax	\$ 6,147	\$ 6,519	\$ 6,631	\$ 6,743
Local taxes - no local tax levied				

If the exemption were repealed, would the taxpayer savings be realized as increased revenues? Yes.

**82.36.280      REFUNDS FOR NONHIGHWAY USE OF FUEL**

Description: A refund of the amount of fuel tax is allowed when the fuel is to be used other than on public highways of Washington in machinery or vehicles that are not licensed for highway use. The amount of fuel tax refunded is subject to state/local use tax which is deducted from the refund amount.

Purpose: Under the 18th Amendment to the state constitution, fuel tax receipts can only be used for highway purposes. The refund helps to assure that the tax applies only to fuel used on public highways.

Category/Year Enacted: Tax base. 1923

Primary Beneficiaries: Nonhighway users of fuel, e.g., boaters, farmers, construction firms, etc.

Possible Program Inconsistency: None evident.

<u>Taxpayer Savings (\$000)</u>	<u>FY 2004</u>	<u>FY 2005</u>	<u>FY 2006</u>	<u>FY 2007</u>
State tax	\$ 910	\$ 965	\$ 982	\$ 998
Local taxes - no local tax levied				

If the exemption were repealed, would the taxpayer savings be realized as increased revenues? No.

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### **82.36.285      TRANSPORTATION OF PERSONS WITH SPECIAL NEEDS** **82.38.080(1h)**

Description: Refunds of motor vehicle fuel tax and exemption from special fuel taxes are provided for private, nonprofit organizations which provide transportation services for persons with special transportation needs.

Purpose: To support transportation programs for the elderly and handicapped.

Category/Year Enacted: Nonprofit - health or social welfare. 1983.

Primary Beneficiaries: Nonprofit transportation providers and the persons they serve.

Possible Program Inconsistency: Any exemption of fuel from taxation potentially increases the number of vehicle miles traveled per year in the state and thereby increases air pollution, which is potentially inconsistent with the state's clean air act and air pollution control programs.

<u>Taxpayer Savings (\$000)</u>	<u>FY 2004</u>	<u>FY 2005</u>	<u>FY 2006</u>	<u>FY 2007</u>
State tax	\$ 697	\$ 739	\$ 752	\$ 765
Local taxes - no local tax levied				

If the exemption were repealed, would the taxpayer savings be realized as increased revenues? Yes.

### **82.36.300      REFUNDS FOR EXPORTED FUEL**

Description: A refund of motor vehicle fuel tax is allowed for fuel that has been exported from the state, as long as the tax was previously paid on such fuel.

Purpose: To encourage export commerce.

Category/Year Enacted: Commerce. 1923

Primary Beneficiaries: Distributors who export fuel to other states.

Possible Program Inconsistency: None evident.

<u>Taxpayer Savings (\$000)</u>	<u>FY 2004</u>	<u>FY 2005</u>	<u>FY 2006</u>	<u>FY 2007</u>
State tax	\$607,965	\$644,722	\$655,775	\$666,902
Local taxes - no local tax levied				

If the exemption were repealed, would the taxpayer savings be realized as increased revenues? No.

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### **82.36.305      MARINE USES OF FUEL**

Description: A refund of motor vehicle fuel tax paid is provided for fuel that is used exclusively for marine purposes. The amount of fuel tax refunded is subject to state/local use tax which is deducted from the refund amount. (Refunds also allowed for nonhighway use of fuel by RCW 82.36.280.)

Purpose: To limit the fuel tax to highway users.

Category/Year Enacted: Tax base. 1957

Primary Beneficiaries: Marine fuel dealers and boaters.

Possible Program Inconsistency: None evident.

<u>Taxpayer Savings (\$000)</u>	<u>FY 2004</u>	<u>FY 2005</u>	<u>FY 2006</u>	<u>FY 2007</u>
State tax	\$ 315	\$ 335	\$ 340	\$ 346
Local taxes - no local tax levied				

If the exemption were repealed, would the taxpayer savings be realized as increased revenues? No.

### **82.36.370      LOST OR DESTROYED FUEL**

### **82.38.180**

Description: A refund of fuel tax previously paid is allowed in instances where the fuel is lost or destroyed as a result of fire, lightning, flood, wind storm or explosion. A refund is also provided to the owner of fuel of 500 gallons or more that is lost or destroyed through leakage or other casualty except evaporation, shrinkage, or unknown causes.

Purpose: To avoid imposition of the tax on fuel that is not actually used.

Category/Year Enacted: Other business. 1923

Primary Beneficiaries: Fuel distributors.

Possible Program Inconsistency: None evident.

Taxpayer Savings (\$000)      Minimal; refund claims for these purposes are rarely made.

If the exemption were repealed, would the taxpayer savings be realized as increased revenues? Unlikely.

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### **82.38.080      OTHER SPECIAL FUEL TAX EXEMPTIONS**

Description: This statute provides a number of exemptions from special fuel tax (propane, natural gas, etc.). These exemptions include fuel used: (1) for heating purposes, (2) governmental vehicles, (3) urban transportation systems, (4) power take-off units (pumping units on trucks), and (5) others. Some of these have been included with related motor vehicle fuel tax exemptions above.

Purpose: To recognize that some fuels suitable for propelling motor vehicles are also put to other uses and to support governmental entities and public transportation.

Category/Year Enacted: Other. 1971

Primary Beneficiaries: Governmental units; purchasers of heating oil; operators of powered equipment.

Possible Program Inconsistency: None evident.

<u>Taxpayer Savings (\$000)</u>	<u>FY 2004</u>	<u>FY 2005</u>	<u>FY 2006</u>	<u>FY 2007</u>
State tax	\$ 33,549	\$ 35,577	\$ 36,187	\$ 36,801
Local taxes - no local tax levied				

If the exemption were repealed, would the taxpayer savings be realized as increased revenues? Generally, no.

### **82.38.081      LEADED RACING FUEL**

Description: Exemption from motor vehicle fuel tax is provided for fuel used exclusively for racing, as long as it is illegal to use such fuel on public highways in Washington. It is understood that this addresses leaded fuel used in certain race cars.

Purpose: To recognize that such fuel is not used on public highways. It is unknown why this statute appears under the special fuel tax statute, rather than the motor vehicle fuel tax statute.

Category/Year Enacted: Tax base. 1998

Primary Beneficiaries: Users of racing fuel.

Possible Program Inconsistency: None evident.

<u>Taxpayer Savings (\$000)</u>	<u>FY 2004</u>	<u>FY 2005</u>	<u>FY 2006</u>	<u>FY 2007</u>
State tax	\$ 13	\$ 13	\$ 13	\$ 14
Local taxes - no local tax levied				

If the exemption were repealed, would the taxpayer savings be realized as increased revenues? Unlikely.

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### **82.42.020 CROP DUSTING**

Description: The statute that imposes the aircraft fuel tax (currently ten cents per gallon) contains a proviso that exempts aircraft fuel used in the spraying of crops, if the airplane normally flies from a private airport.

Purpose: To lower the tax burden on agriculture.

Category/Year Enacted: Agriculture. 1982

Primary Beneficiaries: Farmers.

Possible Program Inconsistency: None evident.

<u>Taxpayer Savings (\$000)</u>	<u>FY 2004</u>	<u>FY 2005</u>	<u>FY 2006</u>	<u>FY 2007</u>
State tax	\$ 105	\$ 105	\$ 105	\$ 105
Local taxes - no local tax levied				

If the exemption were repealed, would the taxpayer savings be realized as increased revenues? Yes.

### **82.42.020 EMERGENCY MEDICAL AIR TRANSPORT**

Description: The statute that imposes the aircraft fuel tax (currently ten cents per gallon) contains a proviso that exempts aircraft fuel used for emergency medical air transport services.

Purpose: To lower the cost of providing emergency medical air transport services.

Category/Year Enacted: Other. 2003

Primary Beneficiaries: Emergency medical air transport operators.

Possible Program Inconsistency: None evident.

<u>Taxpayer Savings (\$000)</u>	<u>FY 2004</u>	<u>FY 2005</u>	<u>FY 2006</u>	<u>FY 2007</u>
State tax	\$ 60	\$ 60	\$ 60	\$ 60
Local taxes - no local tax levied				

If the exemption were repealed, would the taxpayer savings be realized as increased revenues? Yes.

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### **82.42.030      COMMERCIAL AND OTHER AIRCRAFT**

Description: Exemption from aircraft fuel tax is provided for commercial aircraft (interstate and local commuter carriers) and other specified users of aircraft fuel, including aircraft used for testing and training purposes.

Purpose: To encourage commercial airlines to purchase fuel in Washington and to encourage the testing of aircraft and training of flight crews to take place in this state.

Category/Year Enacted: Other business. 1967

Primary Beneficiaries: Commercial airlines and manufacturers of aircraft.

Possible Program Inconsistency: Yes. Aircraft fuel tax revenues are used to fund the State Aeronautics Division of the Department of Transportation. These exemptions place the burden of paying for search and rescue activities carried out by the Division on a narrow group of aircraft fuel users - essentially private owners of aircraft used for noncommercial purposes.

<u>Taxpayer Savings (\$000)</u>	<u>FY 2004</u>	<u>FY 2005</u>	<u>FY 2006</u>	<u>FY 2007</u>
State tax	\$ 48,232	\$ 49,197	\$ 50,181	\$ 51,185
Local taxes - no local tax levied				

If the exemption were repealed, would the taxpayer savings be realized as increased revenues? Possibly, although apportionment of the tax might be required for interstate carriers.

### **82.42.030      IMPORTED AND EXPORTED AIRCRAFT FUEL**

#### **82.42.070**

Description: The aircraft fuel tax does not apply to fuel imported into the state in interstate or foreign commerce and intended to be sold while in interstate or foreign commerce, nor to aircraft fuel that is exported from the state.

Purpose: To promote export sales by Washington businesses.

Category/Year Enacted: Commerce. 1967

Primary Beneficiaries: Aircraft fuel distributors

Possible Program Inconsistency: None evident.

<u>Taxpayer Savings (\$000)</u>	<u>FY 2004</u>	<u>FY 2005</u>	<u>FY 2006</u>	<u>FY 2007</u>
State tax	\$ 49,809	\$ 50,805	\$ 51,821	\$ 52,858
Local taxes - no local tax levied				

If the exemption were repealed, would the taxpayer savings be realized as increased revenues? No.

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### **82.42.070      AIRCRAFT FUEL SOLD TO FEDERAL GOVERNMENT**

Description: The aircraft fuel tax does not apply to fuel sold to the U.S. government or any agency thereof.

Purpose: To encourage the federal government to purchase aircraft fuel from Washington businesses.

Category/Year Enacted: Government. 1971

Primary Beneficiaries: The federal government and it agencies, including branches of the armed forces.

Possible Program Inconsistency: None evident.

<u>Taxpayer Savings (\$000)</u>	<u>FY 2004</u>	<u>FY 2005</u>	<u>FY 2006</u>	<u>FY 2007</u>
State tax	\$ 15,196	\$ 15,500	\$ 15,810	\$ 16,126
Local taxes - no local tax levied				

If the exemption were repealed, would the taxpayer savings be realized as increased revenues? No.