

Chapter 16

Petroleum Products Tax

82.23A.010(1) - Crude oil excluded

Description The definition of petroleum products includes a variety of products derived from crude oil but excludes crude oil itself. This definition expires July 1, 2030.

Purpose To avoid taxing both crude oil and substances derived from crude oil.

Taxpayer savings (\$ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	\$6.013	\$30.844	\$3.204	\$19.837
Local Taxes	\$0.000	\$0.000	\$0.000	\$0.000

Repeal of exemption Repealing this exemption would increase revenues. The petroleum products tax was suspended April 1, 2019. It is expected to be reactivated at the end of Fiscal Year 2020 and remain on through most of Fiscal Year 2021 before being suspended. It is expected to be reactivated again at the end of Fiscal Year 2022 and remain on through Fiscal Year 2023.

Potential revenue gains from full repeal (\$ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	\$0.000	\$27.760	\$3.204	\$19.837
Local Taxes	\$0.000	\$0.000	\$0.000	\$0.000

Assumptions

- Average price of crude oil is equivalent to the forecast for the refiners' acquisition price for crude oil reflected in the IHS Markit March 2019 forecast.
- Petroleum products tax is imposed as follows, consistent with the Department of Revenue's March 2019 non-general fund forecast:
 - 2 months in Fiscal Year 2020
 - 10 months in Fiscal Year 2021
 - 2 months in Fiscal Year 2022
 - 12 months in Fiscal Year 2023
- July 1, 2020, effective date with 9 months cash collections for Fiscal Year 2021.

Data Sources

- US Energy Information Administration
- Department of Revenue's March 2019 non-general fund forecast
- IHS Markit March 2019 forecast

82.23A.010(1) - Crude oil excluded

Additional Information

Additional Information	
Category:	Tax Base
Year Enacted:	1989
Primary Beneficiaries:	Refineries, other importers of crude oil
Taxpayer Count:	20
Program Inconsistency:	None evident
JLARC Review:	JLARC completed an expedited report in 2012

82.23A.010(1) - Liquefied gasses excluded

Description The definition of taxable petroleum products excludes liquefied or liquefiable gasses such as propane and butane. This definition expires July 1, 2030.

Purpose This exclusion assumes fuel in a gaseous state imposes much less risk to the environment.

Taxpayer savings

(\$ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	\$0.000	\$0.192	\$0.020	\$0.131
Local Taxes	\$0.000	\$0.000	\$0.000	\$0.000

Repeal of exemption

Repealing this exemption would increase revenues. The petroleum products tax was suspended April 1, 2019. It is expected to be reactivated at the end of Fiscal Year 2020 and remain on through most of Fiscal Year 2021 before being suspended. It is expected to be reactivated again at the end of Fiscal Year 2022 and remain on through Fiscal Year 2023.

Potential revenue gains from full repeal

(\$ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	\$0.000	\$0.172	\$0.020	\$0.131
Local Taxes	\$0.000	\$0.000	\$0.000	\$0.000

Assumptions

- Washington State liquefied petroleum gas consumption is estimated to grow by 3 percent per year.
- Average price of liquefied petroleum gas is equivalent to the average estimated price of propane.
- Petroleum products tax is imposed as follows, consistent with the Department of Revenue's March 2019 non-general fund forecast:
 - 2 months in Fiscal Year 2020
 - 10 months in Fiscal Year 2021
 - 2 months in Fiscal Year 2022
 - 12 months in Fiscal Year 2023
- July 1, 2020 effective date with 9 months cash collections for Fiscal Year 2021.

Data Sources

- U.S. Energy Information Administration
- Department of Revenue's March 2019 non-general fund forecast
- IHS Markit March 2019 forecast

82.23A.010(1) - Liquefied gasses excluded

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2004
Primary Beneficiaries:	Importers or producers of liquefied petroleum gas
Taxpayer Count:	150
Program Inconsistency:	None evident
JLARC Review:	JLARC completed an expedited report in 2016

82.23A.030(1) - Successive uses of petroleum

Description Successive possession of previously taxed petroleum products is exempt from the tax. This exemption expires July 1, 2030.

Purpose To ensure the tax applies only to the first use of petroleum products within the state.

Taxpayer savings (\$ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	\$9.917	\$50.869	\$5.284	\$32.716
Local Taxes	\$0.000	\$0.000	\$0.000	\$0.000

Repeal of exemption Repealing this exemption would increase revenues. The petroleum products tax was suspended April 1, 2019. It is expected to be reactivated at the end of Fiscal Year 2020 and remain on through most of Fiscal Year 2021 before being suspended. It is expected to be reactivated again at the end of Fiscal Year 2022 and remain on through Fiscal Year 2023.

Potential revenue gains from full repeal (\$ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	\$0.000	\$45.782	\$5.284	\$32.716
Local Taxes	\$0.000	\$0.000	\$0.000	\$0.000

Assumptions

- Growth rate mirrors the growth rate for the refiners' acquisition price for crude oil reflected in the IHS Markit March 2019 forecast.
- The petroleum products tax is imposed as follows, consistent with the Department of Revenue's March 2019 non-general fund forecast:
 - 2 months in Fiscal Year 2020
 - 10 months in Fiscal Year 2021
 - 2 months in Fiscal Year 2022
 - 12 months in Fiscal Year 2023
- July 1, 2020, effective date with 9 months cash collections for Fiscal Year 2021.

Data Sources

- Department of Revenue excise tax data
- Department of Revenue's March 2019 non-general fund forecast
- IHS Markit March 2019 forecast

82.23A.030(1) - Successive uses of petroleum

Additional Information

Additional Information	
Category:	Tax Base
Year Enacted:	1989
Primary Beneficiaries:	Wholesalers, distributors and retailers of petroleum products
Taxpayer Count:	200
Program Inconsistency:	None evident
JLARC Review:	JLARC completed an expedited report in 2017

82.23A.030(2) - Domestic uses of petroleum

Description Petroleum used by persons (not businesses) for personal or domestic purposes is exempt from petroleum products tax. This exemption expires July 1, 2030.

Purpose To ensure the tax applies only to businesses that import or produce petroleum in this state.

Taxpayer savings

(\$ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	\$0.000	\$0.159	\$0.016	\$0.091
Local Taxes	\$0.000	\$0.000	\$0.000	\$0.000

Repeal of exemption

Repealing this exemption would increase revenues. The petroleum products tax was suspended April 1, 2019. It is expected to be reactivated at the end of Fiscal Year 2020 and remain on through most of Fiscal Year 2021 before being suspended. It is expected to be reactivated again at the end of Fiscal Year 2022 and remain on through Fiscal Year 2023.

Potential revenue gains from full repeal

(\$ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	\$0.000	\$0.143	\$0.016	\$0.091
Local Taxes	\$0.000	\$0.000	\$0.000	\$0.000

Assumptions

- This represents minimum amount of petroleum products that are exempt from petroleum products tax due to domestic use.
- The growth rate for the domestic use of petroleum products decreases by 2 percent annually into the future.
- The petroleum products tax is imposed as follows, consistent with the Department of Revenue's March 2019 non-general fund forecast:
 - 2 months in Fiscal Year 2020
 - 10 months in Fiscal Year 2021
 - 2 months in Fiscal Year 2022
 - 12 months in Fiscal Year 2023
- July 1, 2020, effective date with 9 months cash collections for Fiscal Year 2021.

Data Sources

- U.S. Energy Information Administration
- Department of Revenue's March 2019 non-general fund forecast

82.23A.030(2) - Domestic uses of petroleum

Additional Information

Additional Information	
Category:	Individuals
Year Enacted:	1989
Primary Beneficiaries:	Non-business users of petroleum products
Taxpayer Count:	Unknown
Program Inconsistency:	None evident
JLARC Review:	Not reviewed by JLARC

82.23A.030(3) - Constitutional or federal prohibition on petroleum

Description Petroleum products tax does not apply to persons or activities which the state cannot tax under the U.S. Constitution. This exemption expires July 1, 2030.

Purpose This exemption covers the first use of petroleum products by the military and Indian tribes, as well as products that are in the process of interstate commerce.

Taxpayer savings

(\$ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	\$0.000	\$0.000	\$0.000	\$0.000
Local Taxes	\$0.000	\$0.000	\$0.000	\$0.000

Repeal of exemption

Repealing this exemption would not increase revenues because such an act would be unconstitutional.

Potential revenue gains from full repeal

(\$ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	\$0.000	\$0.000	\$0.000	\$0.000
Local Taxes	\$0.000	\$0.000	\$0.000	\$0.000

Assumptions

Collecting tax revenue would be unconstitutional.

Data Sources

None

Additional Information

Additional Information	
Category:	Government
Year Enacted:	1989
Primary Beneficiaries:	The federal government and Indian tribes
Taxpayer Count:	Unknown
Program Inconsistency:	None evident
JLARC Review:	Not reviewed by JLARC

82.23A.030(4) - Petroleum used prior to 7/1/89

Description Possession of petroleum before the effective date of tax (July 1, 1989) is exempt. This exemption expires July 1, 2030.

Purpose Prevents the tax from applying to petroleum on which the owners did not anticipate having to pay tax.

Taxpayer savings (\$ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	\$0.000	\$0.000	\$0.000	\$0.000
Local Taxes	\$0.000	\$0.000	\$0.000	\$0.000

Repeal of exemption Repealing this exemption would not increase revenues.

Potential revenue gains from full repeal (\$ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	\$0.000	\$0.000	\$0.000	\$0.000
Local Taxes	\$0.000	\$0.000	\$0.000	\$0.000

Assumptions No petroleum products obtained prior to July 1, 1989, remain in inventory in Washington State.

Data Sources None

Additional Information

Additional Information	
Category:	Business
Year Enacted:	1989
Primary Beneficiaries:	None
Taxpayer Count:	0
Program Inconsistency:	None evident
JLARC Review:	Not reviewed by JLARC

82.23A.030(5) - Fuel used to process petroleum products

Description Natural gas, petroleum coke, liquid fuel, fuel gas used in processing of petroleum products is exempt from petroleum products tax. Exemption expires July 1, 2030.

Purpose Excludes fuels consumed in processing, restricts the tax to products sold at retail.

Taxpayer savings (\$ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	\$0.135	\$0.675	\$0.068	\$0.405
Local Taxes	\$0.000	\$0.000	\$0.000	\$0.000

Repeal of exemption Repealing this exemption would increase revenues. Petroleum products tax was suspended April 1, 2019. It is expected to be reactivated at end of Fiscal Year 2020, remain through most of Fiscal Year 2021 before being suspended. It is expected to be reactivated again at end of Fiscal Year 2022, remain through Fiscal Year 2023.

Potential revenue gains from full repeal

(\$ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	\$0.000	\$0.608	\$0.068	\$0.405
Local Taxes	\$0.000	\$0.000	\$0.000	\$0.000

Assumptions

- Petroleum products tax is imposed as follows, consistent with Department of Revenue's March 2019 non-general fund forecast:
 - 2 months in Fiscal Year 2020
 - 10 months in Fiscal Year 2021
 - 2 months in Fiscal Year 2022
 - 12 months in Fiscal Year 2023
- July 1, 2020, effective date is 9 months of cash collections for Fiscal Year 2021.

Data Sources

- U.S. Energy Information Administration
- Washington State Department of Commerce, Carbon Tax Assessment Model, WA energy forecast 2019
- Department of Revenue March 2019 non-general fund forecast, pollution liability insurance account

82.23A.030(5) - Fuel used to process petroleum products

Additional Information

Additional Information	
Category:	Tax Base
Year Enacted:	1989
Primary Beneficiaries:	Petroleum refiners
Taxpayer Count:	5
Program Inconsistency:	None evident
JLARC Review:	JLARC completed an expedited report in 2017

82.23A.030(6) - Exported petroleum products

Description Petroleum products exported for use outside of Washington are exempt from tax. This exemption expires July 1, 2030.

Purpose Restricts application of the petroleum products tax to product used in this state.

Taxpayer savings *(\$ in millions):*

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	\$1.385	\$7.103	\$0.738	\$4.568
Local Taxes	\$0.000	\$0.000	\$0.000	\$0.000

Repeal of exemption Repealing this exemption would increase revenues. The petroleum products tax was suspended April 1, 2019. It is expected to be reactivated at the end of Fiscal Year 2020 and remain on through most of Fiscal Year 2021 before being suspended. It is expected to be reactivated again at the end of Fiscal Year 2022 and remain on through Fiscal Year 2023.

Potential revenue gains from full repeal *(\$ in millions):*

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	\$0.000	\$6.393	\$0.738	\$4.568
Local Taxes	\$0.000	\$0.000	\$0.000	\$0.000

Assumptions

- Average price of crude oil is equivalent to the forecast for the refiners' acquisition price for crude oil reflected in the IHS Markit March 2019 forecast.
- Price change of crude oil over time serves as a proxy for the price change of various other petroleum based products.
- Petroleum products tax is imposed as follows, consistent with Department of Revenue's March 2019 non-general fund forecast:
 - 2 months in Fiscal Year 2020
 - 10 months in Fiscal Year 2021
 - 2 months in Fiscal Year 2022
 - 12 months in Fiscal Year 2023
- July 1, 2020, effective date with 9 months cash collections for Fiscal Year 2021.

Data Sources

- Department of Revenue tax return data
- Department of Revenue's March 2019 non-general fund forecast
- IHS Markit March 2019 forecast

82.23A.030(6) - Exported petroleum products

Additional Information

Additional Information	
Category:	Tax Base
Year Enacted:	1989
Primary Beneficiaries:	Petroleum exporters
Taxpayer Count:	17
Program Inconsistency:	None evident
JLARC Review:	Not reviewed by JLARC

82.23A.030(7) - Packaged petroleum products

Description Petroleum products that are packaged for sale to ultimate consumers are exempt from the petroleum products tax. This exemption expires July 1, 2030.

Purpose The purpose of the tax is to generate funds to provide adequate insurance and funding for programs to clean up discharges from leaking underground petroleum storage tanks. Presumably packaged products do not have the potential to cause pollution.

Taxpayer savings

(\$ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	Minimal	Minimal	Minimal	Minimal
Local Taxes	\$0.000	\$0.000	\$0.000	\$0.000

Repeal of exemption

Repealing this exemption would not increase revenues.

Potential revenue gains from full repeal

(\$ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	\$0.000	Minimal	Minimal	Minimal
Local Taxes	\$0.000	\$0.000	\$0.000	\$0.000

Assumptions

The extent of packaged petroleum products is minimal.

Data Sources

None

Additional Information

Additional Information	
Category:	Tax Base
Year Enacted:	1989
Primary Beneficiaries:	Importers of packaged petroleum products
Taxpayer Count:	Unknown
Program Inconsistency:	None evident
JLARC Review:	Not reviewed by JLARC

82.23A.040(1) - Petroleum exported in fuel tanks

Description A credit may be claimed against the petroleum products tax for fuel exported from the state in the fuel tank of any vehicle, including airplanes, ships or trucks. This credit expires July 1, 2030.

Purpose To tax the first use of the products in Washington; which have the potential to cause environmental damage. This credit presumes the risk to the environment reduces significantly after depositing the fuel in the vehicle fuel tank.

Taxpayer savings (\$ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	\$0.134	\$0.687	\$0.071	\$0.442
Local Taxes	\$0.000	\$0.000	\$0.000	\$0.000

Repeal of exemption Repealing this exemption would increase revenues. The petroleum products tax was suspended April 1, 2019. It is expected to be reactivated at the end of Fiscal Year 2020 and remain on through most of Fiscal Year 2021 before being suspended. It is expected to be reactivated again at the end of Fiscal Year 2022 and remain on through Fiscal Year 2023.

Potential revenue gains from full repeal (\$ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	\$0.000	\$0.619	\$0.071	\$0.442
Local Taxes	\$0.000	\$0.000	\$0.000	\$0.000

Assumptions

- Growth rate mirrors the growth rate for the refiners' acquisition price for crude oil reflected in the IHS Markit March 2019 forecast.
- Petroleum products tax is imposed as follows, consistent with the Department of Revenue's March 2019 non-general fund forecast:
 - 2 months in Fiscal Year 2020
 - 10 months in Fiscal Year 2021
 - 2 months in Fiscal Year 2022
 - 12 months in Fiscal Year 2023
- July 1, 2020, effective date results in 9 months cash collections for Fiscal Year 2021.

Data Sources

- Department of Revenue excise tax data
- Department of Revenue's March 2019 non-general fund forecast
- IHS Markit March 2019 forecast

82.23A.040(1) - Petroleum exported in fuel tanks

Additional Information

Additional Information	
Category:	Tax Base
Year Enacted:	1989
Primary Beneficiaries:	Petroleum refiners
Taxpayer Count:	4
Program Inconsistency:	None evident
JLARC Review:	JLARC completed an expedited report in 2012

82.23A.040(2) - Taxes paid in other states

Description Taxpayers may claim a credit against the petroleum products tax for any similar tax paid upon the same product in other states. To qualify for the credit, such tax:

- Must be imposed upon the wholesale value of the petroleum products, and not constitute an income or value-added tax; and
- Must be a tax specifically directed at petroleum products, rather than a general tax.

This credit expires July 1, 2030.

Purpose To ensure tax is applied only once to the same product.

Taxpayer savings

(\$ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	\$0.000	\$0.000	\$0.000	\$0.000
Local Taxes	\$0.000	\$0.000	\$0.000	\$0.000

Repeal of exemption

Repealing this exemption would not increase revenues.

Potential revenue gains from full repeal

(\$ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	\$0.000	\$0.000	\$0.000	\$0.000
Local Taxes	\$0.000	\$0.000	\$0.000	\$0.000

Assumptions

No businesses currently use this credit and none are expected to use it in the future; other western states that likely export petroleum products to Washington do not have taxes imposed on the wholesale value of petroleum products.

Data Sources

Multiple state tax commissions and state departments of revenue

Additional Information

Additional Information	
Category:	Interstate Commerce
Year Enacted:	1989
Primary Beneficiaries:	Importers of products from jurisdictions with similar taxes on petroleum products
Taxpayer Count:	0
Program Inconsistency:	None evident
JLARC Review:	Not reviewed by JLARC