

## BUSINESS TAXES

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### OTHER BUSINESS TAXES - PETROLEUM PRODUCTS TAX

#### **82.23A.030(1) SUCCESSIVE USES OF PETROLEUM**

Description: Successive possession of petroleum products that were previously subject to the 0.5 percent petroleum products tax is exempt from the tax.

Purpose: The tax is intended to apply only to the first use of petroleum products within the state.

Category/Year Enacted: Tax base. 1989

Primary Beneficiaries: Wholesalers, distributors and retails of petroleum products.

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	\$ 20,000	\$ 0	\$ 0	\$ 0
Local taxes - none.				

\*The tax was reactivated on 7/1/2003 but is expected to return to inactive status after 6/30/2004.

If the exemption were repealed, would the taxpayer savings be realized as increased revenues?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

#### **82.23A.030(2) DOMESTIC USES OF PETROLEUM**

Description: Petroleum that is used by persons (not businesses) for personal or domestic purposes and not a business use is exempt from petroleum products tax.

Purpose: The tax is intended to apply only to businesses that import or produce petroleum in this state.

Category/Year Enacted: Individuals. 1989

Primary Beneficiaries: Principally applies to individuals who bring motor vehicle fuel into the state in the fuel tanks of their personal vehicles.

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	\$ 100	\$ 0	\$ 0	\$ 0
Local taxes - none.				

\*The tax was reactivated on 7/1/2003 but is expected to return to inactive status after 6/30/2004.

If the exemption were repealed, would the taxpayer savings be realized as increased revenues?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

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### 82.23A.030(3) CONSTITUTIONAL EXEMPTIONS

Description: Petroleum products tax does not apply to persons or activities which the state cannot tax under the U.S. Constitution.

Purpose: 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.

Category/Year Enacted: Commerce. 1989

Primary Beneficiaries: The federal government and Indian tribes.

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	\$ 1,000	\$ 0	\$ 0	\$ 0
Local taxes - none.				

\*The tax was reactivated on 7/1/2003 but is expected to return to inactive status after 6/30/2004.

If the exemption were repealed, would the taxpayer savings be realized as increased revenues?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

### 82.23A.030(4) PETROLEUM USED PRIOR TO 7/1/1989

Description: Possession of petroleum before the effective date of tax (7/1/1989) is exempt.

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

Category/Year Enacted: Tax base. 1989

Primary Beneficiaries: None; it is assumed that there are no petroleum products remaining in inventory since 1989.

Possible Program Inconsistency: None evident.

Taxpayer Savings (\$000) None.

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

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### 82.23A.030(5) FUEL USED IN PROCESSING

Description: Exemption from petroleum products tax is provided for natural gas, petroleum coke, liquid fuel, or fuel gas that is used in processing of petroleum products.

Purpose: To exclude fuels that are consumed in processing and restrict the tax to products that are ultimately sold at retail.

Category/Year Enacted: Tax base. 1989

Primary Beneficiaries: Petroleum refiners.

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	\$ 100	\$ 0	\$ 0	\$ 0
Local taxes - none.				

\*The tax was reactivated on 7/1/2003 but is expected to return to inactive status after 6/30/2004.

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

### 82.23A.030(6) EXPORTED PETROLEUM PRODUCTS

Description: Petroleum products that are exported for use outside of Washington are exempt from tax.

Purpose: The tax is intended to apply only to products ultimately used in this state.

Category/Year Enacted: Tax base. 1989

Primary Beneficiaries: Petroleum exporters.

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	\$ 6,500	\$ 0	\$ 0	\$ 0
Local taxes - none.				

\*The tax was reactivated on 7/1/2003 but is expected to return to inactive status after 6/30/2004.

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

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### **82.23A.030(7)            PACKAGED PETROLEUM PRODUCTS**

Description: Petroleum products that are packaged are not subject to the tax.

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 are not stored in such tanks and do not have the potential to cause pollution.

Category/Year Enacted: Tax base. 1989

Primary Beneficiaries: Importers of packaged petroleum products.

Possible Program Inconsistency: None evident.

Taxpayer Savings (\$000)            The extent of packaged petroleum products is believed to be minimal.

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

### **82.23A.040(1)            PETROLEUM IN VEHICLE FUEL TANKS**

Description: A credit is allowed against the petroleum products tax for fuel that is exported from the state in the fuel tank of any vehicle, including airplanes, ships or trucks.

Purpose: The tax is paid upon the first use of the products in Washington. It is presumed that the first use of fuel exported in fuel tanks will largely be outside of the state.

Category/Year Enacted: Tax base. 1989

Primary Beneficiaries: Refiners and wholesalers who deliver their products outside the state.

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	\$ 100	\$ 0	\$ 0	\$ 0
Local taxes - none.				

\*The tax was reactivated on 7/1/2003 but is expected to return to inactive status after 6/30/2004.

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

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### **82.23A.040(2) CREDIT FOR OTHER STATES' PETROLEUM TAXES**

Description: A credit is allowed against the petroleum products tax for any similar tax paid upon the same product in other states. To qualify for the credit, such taxes must be imposed upon the wholesale value of the petroleum products and not constitute an income or value-added tax.

Purpose: To avoid the possibility of double taxation of the same product.

Category/Year Enacted: Commerce. 1989

Primary Beneficiaries: Importers of products from jurisdictions with similar taxes on petroleum products.

Possible Program Inconsistency: None evident.

Taxpayer Savings (\$000) No such credits are known to have been taken.

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