

PETROLEUM PRODUCTS TAX
Chapter 82.23A RCW

Tax Base The wholesale value of products derived from crude oil. The tax is imposed as a privilege tax on the possession of petroleum products within the state.

Tax Rate 0.5 percent

Levied By State. The tax includes a "trigger" mechanism based on the amount of funds in the pollution liability insurance program account. The tax will only be imposed for a succeeding calendar quarter if: (1) the tax was levied the prior quarter and the account balance is less than \$15 million; or (2) the tax was not levied the prior quarter and the balance is less than \$7.5 million. The tax was effective in the early 1990s and again during Fiscal Year 2004. Most recently, the tax was reactivated on July 1, 2009, and is currently being imposed. The entire tax is currently scheduled to expire on June 1, 2013.

Recent Collections (\$000)

<u>Fiscal Year</u>	<u>Collections</u>	<u>% Change</u>	<u>% of All State Taxes</u>
2009	\$609	-.%	0.0%
2008	(416)	-.-	0.0
2007	(280)	-.-	0.0
2006	41	-.-	0.0
2005	3,688	(86.1)	0.0
2004	26,534	-.-	0.2
2003	--	-.-	-.-
2002	--	-.-	-.-
2001	--	-.-	-.-
2000	--	-.-	-.-
1999	--	-.-	-.-
1998	--	-.-	-.-
1997	--	-.-	-.-
1996	--	-.-	-.-
1995	--	-.-	-.-
1994	--	-.-	-.-
1993	5,139	(61.5)%	0.1
1992	13,346	(20.0)	0.2
1991	16,682	26.0	0.2
1990	13,236	-.-	0.2

*Note: Collections (or refunds) between FY 2005 and 2009 represent audit activity.

Administration Department of Revenue. Firms that import, manufacture, or sell petroleum products report on an addendum to the Combined Excise Tax Return.

Distribution of Receipts

Pollution liability insurance program trust account, used to help owners of underground storage tanks obtain insurance, so that tanks can be upgraded or replaced.

Exemptions, Deductions and Credits

- previously taxed petroleum products (thus effectively limiting the tax to the first possession);
- products to be used for personal or domestic, and not business, purposes;
- persons or activities which cannot be taxed under the federal Constitution;
- products within the state before July 1, 1989;
- petroleum fuels used in processing petroleum products;
- products which are exported from Washington as fuel;
- petroleum products which are already packaged for sale to consumers;
- liquefiable gases such as butane, ethane, and propane;
- credit for tax paid on fuel exported from the state in vehicle fuel tanks;
- credit for the amount of similar taxes paid on the same product in other states.

History

The tax was adopted in 1989. It was imposed until July 1, 1993, when the required fund balance was reached and the tax was temporarily suspended. It was reimposed during Fiscal Year 2004 and now since July 1, 2009. The original legislation included a June 1, 1995, expiration date. This was extended by six years in 1995, by another six years in 2000, and most recently another six years in 2006; the present expiration date is June 1, 2013.

Discussion/Major Issues

There are 146 taxpayers that currently report petroleum products tax.

The tax is intended to fund a state program which will provide insurance for owners of underground tanks used to store petroleum products. The federal Environmental Protection Agency has mandated that states address the problem of potential leaking tanks. Because of the high cost of repairing leaking tanks, the cost of liability insurance has been prohibitive for many tank owners. The state program is intended to make such insurance available at an affordable cost.