

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 refining crude oil but excludes crude oil itself and liquefiable gases. This definition expires on July 1, 2030.

Purpose To avoid taxing crude oil and liquefiable gases.

Taxpayer savings

(\$ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	\$37.070	\$51.360	\$13.030	\$53.930
Local Taxes	\$0.000	\$0.000	\$0.000	\$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

(\$ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	\$0.000	\$47.080	\$13.030	\$53.930
Local Taxes	\$0.000	\$0.000	\$0.000	\$0.000

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- The average price of crude oil is equivalent to the forecast for the refiners' acquisition price for crude oil reflected in the Economic and Revenue Forecast Council's March 2023 forecast.
- The petroleum products tax will be suspended in July 2025. It is expected to be reactivated in April 2026, and remain on through fiscal year 2027 before being suspended at the beginning of fiscal year 2028 for the next two quarters.

Data Sources

- Department of Revenue, Excise tax return data
- Economic and Revenue Forecast Council, March 2023 forecast
- U.S. Energy Information Administration

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:	Expedited review completed 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 on July 1, 2030.

Purpose This exclusion assumes fuel in a gaseous state imposes much less environmental risk.

Taxpayer savings

(\$ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	\$0.203	\$0.290	\$0.303	\$0.081
Local Taxes	\$0.000	\$0.000	\$0.000	\$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

(\$ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	\$0.000	\$0.266	\$0.303	\$0.081
Local Taxes	\$0.000	\$0.000	\$0.000	\$0.000

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Washington's liquefied petroleum gas consumption is estimated to grow by 3% annually.
- The average price of liquefied petroleum gas is equivalent to the average estimated propane price.
- The petroleum products tax will be suspended in July 2025. It is expected to be reactivated in April 2026, and remain on through fiscal year 2027 before being suspended at the beginning of fiscal year 2028 for the next two quarters.

Data Sources

- Department of Revenue, Excise tax return data
- Economic and Revenue Forecast Council, March 2023 forecast
- U.S. Energy Information Administration

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2004
Primary Beneficiaries:	Importers or producers of liquified petroleum gas
Taxpayer Count:	150
Program Inconsistency:	None evident
JLARC Review:	Expedited review completed 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 on July 1, 2030.

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

Taxpayer savings (\$ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	\$45.070	\$45.540	\$11.550	\$47.820
Local Taxes	\$0.000	\$0.000	\$0.000	\$0.000

Repeal of exemption Repealing this exemption would increase revenues.

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

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	\$0.000	\$41.750	\$11.550	\$47.820
Local Taxes	\$0.000	\$0.000	\$0.000	\$0.000

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- The petroleum products tax will be suspended in July 2025. It is expected to be reactivated in April 2026, and remain on through fiscal year 2027 before being suspended at the beginning of fiscal year 2028 for the next two quarters.
- The likelihood of successive taxation exposure is expressed in terms of multiplier(s) to the currently reported taxable amount, and it is based on the supply chain where businesses are involved.
- Refineries and other manufacturers, at the beginning of the supply chain, would be subject to a maximum successive taxation, with a multiplier of 1.75.
- Brokers and intermediaries, at the middle of the supply chain, would be subject to moderate successive taxation, with a multiplier of 1.
- Most retailers, at the end of the supply chain, would be subject to a minimal successive taxation, with a multiplier of 0.5.

Data Sources

- Department of Revenue, Excise tax data
- Department of Revenue, Non-General Forecast
- Economic and Revenue Forecast Council, March 2023 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:	140
Program Inconsistency:	None evident
JLARC Review:	Expedited review completed in 2012 and 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 on July 1, 2030.

Purpose Ensure the tax applies only to businesses that import or produce petroleum in Washington.

Taxpayer savings

(\$ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	\$0.100	\$0.100	\$0.020	\$0.090
Local Taxes	\$0.000	\$0.000	\$0.000	\$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

(\$ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	\$0.000	\$0.090	\$0.020	\$0.090
Local Taxes	\$0.000	\$0.000	\$0.000	\$0.000

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- This represents the minimum amount of petroleum products exempt from petroleum products tax due to domestic use.
- The growth rate for the domestic use of petroleum products decreases by 2% annually into the future.
- The petroleum products tax will be suspended in July 2025. It is expected to be reactivated in April 2026, and remain on through fiscal year 2027 before being suspended at the beginning of fiscal year 2028 for the next two quarters.

Data Sources

- Department of Revenue, Excise tax return data
- Economic and Revenue Forecast Council, March 2023 forecast
- U.S. Energy Information Administration

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:	Expedited review completed in 2012 and 2017

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

Description The petroleum products tax does not apply to persons or activities that the state cannot tax under the U.S. Constitution.

Purpose To prevent violating constitutional law.

Taxpayer savings *(\$ in millions):*

	FY 2024	FY 2025	FY 2026	FY 2027
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 2024	FY 2025	FY 2026	FY 2027
State Taxes	\$0.000	\$0.000	\$0.000	\$0.000
Local Taxes	\$0.000	\$0.000	\$0.000	\$0.000

Assumptions No revenues are realized if the state law is repealed. These sales are constitutionally exempt at the federal level.

Data Sources Department of Revenue, Excise tax data

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:	No review completed

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

Description Possession of petroleum before the effective date of tax (7/1/1989) is exempt. This exemption expires on July 1, 2030.

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

Taxpayer savings

(\$ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
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 revenue because currently no taxpayers use it.

Potential revenue gains from full repeal

(\$ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
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 before July 1, 1989, remain in inventory in Washington.

Data Sources

Department of Revenue, Excise tax data

Additional Information

Additional Information	
Category:	Business
Year Enacted:	1989
Primary Beneficiaries:	None
Taxpayer Count:	0
Program Inconsistency:	None evident
JLARC Review:	Expedited review completed in 2012 with an upcoming review in 2025

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

Description Natural gas, petroleum coke, liquid fuel, and fuel gas used in processing petroleum products are exempt from petroleum products tax. The exemption expires on July 1, 2030.

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

Taxpayer savings (\$ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	\$0.690	\$0.690	\$0.172	\$0.690
Local Taxes	\$0.000	\$0.000	\$0.000	\$0.000

Repeal of exemption Repealing this exemption would increase revenues.

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

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	\$0.000	\$0.632	\$0.172	\$0.690
Local Taxes	\$0.000	\$0.000	\$0.000	\$0.000

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- The petroleum products tax will be suspended in July 2025. It is expected to be reactivated in April 2026, and remain on through fiscal year 2027 before being suspended at the beginning of fiscal year 2028 for the next two quarters.

Data Sources

- Department of Revenue, Excise tax return data
- Economic and Revenue Forecast Council, March 2023 forecast
- U.S. Energy Information Administration
- Washington State Department of Commerce, Carbon Tax Assessment Model, WA Energy Forecast 2019

Additional Information

Additional Information	
Category:	Tax base
Year Enacted:	1989
Primary Beneficiaries:	Petroleum refiners
Taxpayer Count:	5
Program Inconsistency:	None evident
JLARC Review:	Expedited review completed in 2012 and 2017

82.23A.030(6) - Exported petroleum products

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

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

Taxpayer savings (\$ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	\$15.243	\$17.601	\$4.465	\$18.480
Local Taxes	\$0.000	\$0.000	\$0.000	\$0.000

Repeal of exemption Repealing this exemption would increase revenues.

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

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	\$0.000	\$16.134	\$4.465	\$18.480
Local Taxes	\$0.000	\$0.000	\$0.000	\$0.000

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- The average price of crude oil is equivalent to the forecast for the refiners' acquisition price for crude oil reflected in the Economic and Revenue Forecast Council's March 2023 forecast.
- The price change of crude oil over time is a proxy for the price change of various other petroleum-based products.
- The petroleum products tax will be suspended in July 2025. It is expected to be reactivated in April 2026, and remain on through fiscal year 2027 before being suspended at the beginning of fiscal year 2028 for the next two quarters.

Data Sources

- Department of Revenue, Excise tax return data
- Economic and Revenue Forecast Council, March 2023 forecast

Additional Information

Additional Information	
Category:	Tax base
Year Enacted:	1989
Primary Beneficiaries:	Petroleum exporters
Taxpayer Count:	19
Program Inconsistency:	None evident
JLARC Review:	Expedited review completed in 2012 and 2017

82.23A.030(7) - Packaged petroleum products

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

Purpose The tax aims 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 2024	FY 2025	FY 2026	FY 2027
State Taxes	Minimal	Minimal	Minimal	Minimal
Local Taxes	\$0.000	\$0.000	\$0.000	\$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

(\$ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	\$0.000	Minimal	Minimal	Minimal
Local Taxes	\$0.000	\$0.000	\$0.000	\$0.000

Assumptions

The revenue impact from the repeal of the exemption on packaged petroleum products is thought to be minimal.

Data Sources

Department of Revenue, Excise tax data

Additional Information

Additional Information	
Category:	Tax base
Year Enacted:	1989
Primary Beneficiaries:	Importers of packaged petroleum products
Taxpayer Count:	Minimal
Program Inconsistency:	None evident
JLARC Review:	Expedited review completed in 2012 and 2017

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 on 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 environmental risk reduces significantly after depositing the fuel in the vehicle fuel tank.

Taxpayer savings (\$ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	\$0.830	\$0.840	\$0.210	\$0.880
Local Taxes	\$0.000	\$0.000	\$0.000	\$0.000

Repeal of exemption Repealing this credit would increase revenues.

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

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	\$0.000	\$0.770	\$0.210	\$0.880
Local Taxes	\$0.000	\$0.000	\$0.000	\$0.000

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the growth rate for the refiners' acquisition price for crude oil reflected in the Economic and Revenue Forecast Council's March 2023 forecast.
- The petroleum products tax will be suspended in July 2025. It is expected to be reactivated in April 2026, and remain on through fiscal year 2027 before being suspended at the beginning of fiscal year 2028 for the next two quarters.

Data Sources

- Department of Revenue, Excise tax data
- Economic and Revenue Forecast Council, March 2023 forecast
- Department of Revenue, March 2023 Non-General Forecast

Additional Information

Additional Information	
Category:	Tax base
Year Enacted:	1989
Primary Beneficiaries:	Petroleum refiners
Taxpayer Count:	3
Program Inconsistency:	None evident
JLARC Review:	Expedited review completed 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 (1) must be imposed upon the wholesale value of the petroleum products and not constitute an income or value-added tax, and (2) must be a tax specifically directed at petroleum products rather than a general tax. This credit expires on July 1, 2030.

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

Taxpayer savings (\$ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
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 credit would not increase revenues because currently no taxpayers use it.

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

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	\$0.000	\$0.000	\$0.000	\$0.000
Local Taxes	\$0.000	\$0.000	\$0.000	\$0.000

Assumptions

- No taxpayers currently use this credit. We expect no usage during the forecasted period of this study.
- 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:	No review completed