

PETROLEUM PRODUCTS TAX  
RCW 82.23A

Tax Base                    The wholesale value of products derived from refining of 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. Most recently, the tax was effective from July 1, 2003, through June 30, 2004. 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>
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

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

## Distribution of Receipts

Pollution liability insurance program trust account, used to assist owners of underground storage tanks in obtaining insurance, so that tanks can be upgraded or replaced in order to prevent leaks.

## 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. The original legislation included an expiration date for the tax of June 1, 1995. This was extended by six years in 1995, by another six years in 2000, and most recently another six years in 2006, so that the present expiration date is June 1, 2013.

## Discussion/Major Issues

Approximately 145 taxpayers reported petroleum products tax during Fiscal Year 2004 when the tax was most recently collected.

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.