

HB

239

SFIN

FILE

SSC 5/6/98

SENATE FINANCE COMMITTEE REPORT

DATE: 4/30/98

FURTHER:

DATE TURNED IN TO OFFICE: 5/06/98

Finance Committee considered CS FOR HOUSE BILL NO. 239(FIN)

"An Act relating to the liability of motor fuel dealers for payment of tax imposed on certain credit transactions involving motor fuel sales or transfers that become worthless debts or on sales or transfers to persons who declare bankruptcy; and providing for an effective date."

and recommends:

- be replaced with 5 CS CS HB 239 (FIN)
- adopt previous CS forthcoming SCS
- attached amendment(s)
- adopt Letter of Intent by _____
- further referral to the _____

- Senate Bill:**
- same title
 - new title
- House Bill:**
- same title
 - technical title
 - new: SCR# _____

SIGNING DO PASS	DP	OTHER RECOMMENDATIONS	NR	DNP	AM
<i>Kell E. Hill</i>	<input checked="" type="checkbox"/>	<i>Cal L. ...</i>	<input checked="" type="checkbox"/>		
<i>Stan ...</i>	<input checked="" type="checkbox"/>	<i>... only</i>	<input checked="" type="checkbox"/>		
<i>John ...</i>	<input checked="" type="checkbox"/>				
Co-Chair:		Co-Chair:			
Co-Chair: <i>...</i>	<input checked="" type="checkbox"/>	Co-Chair:			

NEW FISCAL NOTE(S):

Department	Date	Zero	Fiscal

PREVIOUS FISCAL NOTE(S):*

Department	Date	Zero	Fiscal
Rev/Income & Excise	2/23/98	<input checked="" type="checkbox"/>	

APPROPRIATION -- no fiscal note

*include fiscal notes accompanying Governor's bill

Revision Date: _____ Dept. Affected: Revenue
Title: Motor Fuel Tax Credit: Tax Not Pd by User BRU. Revenue Operation
Sponsor: Representative Davis Component: Income and Excise Audit
Requestor: (H) FIN COMPONENT SERIAL NO. 113

Expenditures/Revenues: (Thousands of Dollars)

OPERATING EXPENDITURES	FY 99	FY 00	FY 01	FY 02	FY 03	FY 04
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0
CAPITAL EXPENDITURES						
CHANGE IN REVENUES (GF)	*****	*****	*****	*****	*****	*****

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other						
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY98) cost \$0.0

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS: (Attach a separate page if necessary)

*****See Attached

Prepared by: Paul E. Dick Phone: 465-3691
Division: Income and Excise Audit Division Date: February 23, 1998
Approved by Commissioner: Wilson L. Condon Date: February 23, 1998
Agency: Revenue

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DEPARTMENT OF REVENUE
Income and Excise Audit Division

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BILL ANALYSIS

Section 1 states legislative findings that motor fuel dealers should not be burdened with a motor fuel tax remittance obligation if the tax liability on a transaction is significant and the underlying debt becomes worthless or the person to whom motor fuel had been sold or transferred becomes a debtor under federal bankruptcy laws; the tax liability and payment responsibility should remain with the person.

Section 2 amends motor fuel statutes by adding a new section that entitles motor fuel dealers to a bad debt credit against their motor fuel tax liability when the dealer sells or transfers motor fuel to a person on credit and if that person (1) has become a debtor under federal bankruptcy laws (11 U.S.C.) or (2) ceased paying their debt and the dealer treats the person's debt as a worthless debt under the Internal Revenue Code (26 U.S.C. 166). Dealers would be entitled to a credit if a sale or transfer results in a tax liability of \$500 or more.

The dealer may not claim a refund for the amount of credit but may claim the credit against motor fuel taxes payable. Dealers would be required to provide documentation substantiating bankruptcy or worthless debt. If, as to a credit transaction for which a credit was claimed, a person subsequently makes payment of all or part of the debt, the dealer would be required to remit all or part of the tax.

Dealers would not be allowed a credit if the dealer, within the 3-year period before making a claim above, previously reported that a credit transaction debt of the purchaser or transferee is a worthless debt. Credits would not apply to dealers who sell or transfer fuel after the dealer knows that the purchaser or transferee is a debtor under federal bankruptcy laws or treats a previous credit transaction as a worthless debt under the Internal Revenue Code.

Section 3 provides that this bill would apply to sales or transfers of motor fuel that are made after the effective date of the bill.

Section 4 provides for a July 1, 1997 effective date.

DEPARTMENT OF REVENUE
Income and Excise Audit Division

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OPERATING EXPENDITURES

Department of Revenue does not anticipate additional costs for administering the provisions of this bill.

REVENUE

It is not feasible to estimate the revenue loss from the tax credit allowed under this bill because bad debt motor fuel sales data is not available. Using FY 1997 motor fuel sales data adjusted for the effects of HB 63 (enacted last session) and assuming that .1% of taxable gallons qualify for the bad debt credit under this bill, the state would lose approximately \$44,300 in motor fuel tax revenue.

SENATE FINANCE
COMMITTEE

0-1.S0768L.1

Glover
5/4/98

Amendment Number: #1

Bill Number: HB 239

Sponsor: Orin Date: 5/4/98

AMENDMENT Proposed In By: Mindy

*Spended by
Senator Torgerson*

OFFERED IN THE SENATE
TO: SCS CSHB 239(TRA)

1 Page 3, line 17:

Delete

2 Delete "2003"

line 17

3 ~~Insert "2008"~~

move

*move to Amend Amendmet
removed*

adopt w/out digit

SENATE FINANCE
COMMITTEE

0-1.S(1768)L.1
Glover
5/4/98

Amendment Number: #1

Bill Number: HB 239

Sponsor: CYNTHIA Date: 5/4/98

A M E N D M E N T In By: J Mindy

*Spended by
Senator Torgerson*

OFFERED IN THE SENATE
TO: SCS CSHB 239(TRA)

- 1 Page 3, line 17:
- 2 Delete "2003"
- 3 Insert "2008"

*use this unamended
version of amend #1*