



STATE OF WASHINGTON
DEPARTMENT OF REVENUE

February 5, 2010

TO: The Honorable Ross Hunter
Washington State House of Representatives

FROM: Stephen D. Smith, Research Division
Washington State Department of Revenue

SUBJECT: THE IMPACT ON GASOLINE PRICES IF THE HAZARDOUS SUBSTANCE
TAX RATE INCREASES FROM 0.7 PERCENT TO 2 PERCENT

The tax is levied on the wholesale price. The 1.3 percent increase in the tax rate, times the expected Fiscal Year 2011 wholesale price per gallon, works out to about 3 cents per gallon of gasoline.

The ultimate impact of the tax increase on the retail price will be influenced by all of the market factors that affect gasoline prices: season, weather, the supply of crude oil, and local supply and demand conditions. The retail markup is often squeezed when prices are rising and expands when prices are falling. Any long-term impact on retail prices will be hard to distinguish from the 16 cent monthly price movements that are normal in Washington.