Economic Opportunity Institute

FACT SHEET: HB 2977

• Re-Directing Oil Company Windfall Profits to Public Services

HB 2977 recognizes that the major oil companies are reaping windfall profits through the high price of gasoline. This has resulted in $20 million a day exported out of the Washington state economy. HB 2977 would create an incentive for the major oil companies to keep gasoline prices at an appropriate reasonable level and recapture an increment of these windfall profits to the benefit of citizens and businesses in our state.

HB 2977 would levy a tax on oil companies' net income apportioned to Washington state when the price of gasoline equals or exceeds $1.75 a gallon. The tax would be graduated, starting at 10% of profits allocated to the state of Washington as apportioned to Washington state through the three-factor formula of payroll, property, and . For every 10 cents the price rises, the tax rate increases by 2%, topping at prices at $2.75 or greater with a tax rate of 30%.

Gasoline price equal to or greater than	Gasoline price less than	Tax rate
	$ 1.75	zero
$ 1.75	$ 1.85	10%
$ 1.85	$ 1.95	12%
$ 1.95	$ 2.05	14%
$ 2.05	$ 2.15	16%
$ 2.15	$ 2.25	18%
$ 2.25	$ 2.35	20%
$ 2.35	$ 2.45	22%
$ 2.45	$ 2.55	24%
$ 2.55	$ 2.65	26%
$ 2.65	$ 2.75	28%
$ 2.75		30%

Only those companies that operate or have operated oil refineries in the past five years would be subject to this tax. Sixty-six companies would currently come under this windfall profits tax umbrella.

At gasoline prices as of January 30, 2006, this tax would generate more than $500 million a year.

The intent of the legislation is to direct these windfall profits tax revenues to offset the cost of high gasoline prices by providing additional funding for public services adversely effected by these prices, such as K-12 and public higher education transportation and heating costs, and to apply the revenues to the development of renewable in-state energy resources, such as bio-diesel and cellulosic ethanol.

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