Senate

General Assembly

File No. 117

February Session, 2004

Substitute Senate Bill No. 376

Senate, March 17, 2004

The Committee on Energy and Technology reported through SEN. PETERS of the 20th Dist., Chairperson of the Committee on the part of the Senate, that the substitute bill ought to pass.

AN ACT CONCERNING COGENERATION FACILITIES AND THE MANUFACTURER'S EXEMPTION FROM THE GROSS EARNINGS TAX ON SALES OF NATURAL GAS.

Be it enacted by the Senate and House of Representatives in General Assembly convened:

Section 1. Subsection (c) of section 12-265 of the general statutes is repealed and the following is substituted in lieu thereof (*Effective from passage*):

(c) (1) The rate of tax on the sale, furnishing or distribution of electricity or natural gas for use directly by a company engaged in a manufacturing production process, in accordance with the Standard Industrial Classification Manual, United States Office of Management and Budget, 1987 edition, classifications 2000 to 3999, inclusive, or Sector 31, 32 or 33 in the North American Industrial Classification System United States Manual, United States Office of Management and Budget, 1997 edition, shall be four per cent with respect to calendar quarters commencing on or after January 1, 1994, and prior to January

1, 1995, three per cent with respect to calendar quarters commencing on or after January 1, 1995, and prior to January 1, 1996, and two per cent with respect to calendar quarters commencing on or after January 1, 1996, and prior to January 1, 1997. The sale, furnishing or distribution of electricity or natural gas for use by a company as provided in this subsection shall not be subject to the provisions of this chapter with respect to calendar quarters commencing on or after January 1, 1997. Not later than thirty days after May 19, 1993, and thirty days after the effective date of each rate decrease provided for in this section, each electric and gas public service company, as defined in section 16-1, as amended, which does not have a proposed rate amendment under section 16-19 pending before the Department of Public Utility Control at such time, shall request the department to reopen the proceeding under section 16-19 on the company's most recent rate amendment, solely for the purpose of decreasing the company's rates to reflect the decreases required under this section. The department shall immediately reopen such proceedings, solely for such purpose.

(2) For purposes of this subsection, natural gas consumed as fuel in the operation of a cogeneration facility providing electricity or steam to a company engaged in a process described in subdivision (1) of this subsection is deemed to be used directly and solely by such company where such cogeneration facility is located entirely on the premises owned or controlled by such company, regardless of whether the cogeneration facility is owned or operated by the company or a third party.

This act shall take effect as follows:	
Section 1	*from passage*

ET *Joint Favorable Subst.*

The following fiscal impact statement and bill analysis are prepared for the benefit of members of the General Assembly, solely for the purpose of information, summarization, and explanation, and do not represent the intent of the General Assembly or either House thereof for any purpose:

OFA Fiscal Note

State Impact:

Agency Affected	Fund-Effect	FY 05 $	FY 06 $
Revenue Serv., Dept.	GF - See Below	See Below	See Below

Note: GF=General Fund

Municipal Impact: None

Explanation

The bill expands the exemption for natural gas used as a fuel to provide electricity or steam to a manufacturer from the public service companies gross receipts tax to a cogeneration facility that is not owned or operated by the manufacturer but located within property owned by it.

Expanding the exemption to all purchases made by third party operators/owners results in a revenue loss of approximately $800,000 to $1 million for FY 05. This estimate is based on annual sales of natural gas of one known facility. The future fiscal year revenue losses from this exemption could be greater if additional facilities become eligible for the exemption.

There is also an annual cost, anticipated to be minimal—less than $10,000, to the Department of Revenue Services to administer and audit this exemption.

Under current law a manufacturer owned and operated cogeneration facility purchases of natural gas used to generate electricity or steam for itself is exempted from the gross receipts tax.

Currently, third party operators/owners pay the gross receipts tax on natural gas purchases portion used to generate electricity or steam for manufacturers that would otherwise be exempt if the facility was owned or operated by said manufacturer. Under current law the gross receipts tax is paid by the wholesaler or distributor on its gross receipts from sales of natural gas and passed through to the end-user, in this case the third party operator/owner.

OLR Bill Analysis
sSB 376

AN ACT CONCERNING COGENERATION FACILITIES AND THE MANUFACTURER'S EXEMPTION FROM THE GROSS EARNINGS TAX ON SALES OF NATURAL GAS

SUMMARY:
This bill specifically exempts from the utility gross earnings tax natural gas used to fuel a cogeneration facility that provides electricity or steam to a manufacturer. (Cogeneration results in the joint production of electricity and steam.) The exemption applies if the facility is located on property owned or controlled by the manufacturer, whether the facility is owned or operated by the manufacturer or a third party.

EFFECTIVE DATE: Upon passage

COMMITTEE ACTION

Energy and Technology Committee

Joint Favorable Substitute
Yea 17 Nay 0