



House of Representatives

General Assembly

File No. 654

January Session, 2005

Substitute House Bill No. 6837

House of Representatives, May 3, 2005

The Committee on Finance, Revenue and Bonding reported through REP. STAPLES of the 96th Dist., Chairperson of the Committee on the part of the House, that the substitute bill ought to pass.

AN ACT CONCERNING THE DIESEL FUEL TAX.

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

1 Section 1. Subdivision (2) of subsection (a) of section 12-458 of the
2 general statutes is repealed and the following is substituted in lieu
3 thereof (*Effective July 1, 2005*):

4 (2) On said date and coincident with the filing of such return each
5 distributor shall pay to the commissioner for the account of the
6 purchaser or consumer a tax (A) on each gallon of such fuels sold or
7 used in this state during the preceding calendar month of twenty-six
8 cents on and after January 1, 1992, twenty-eight cents on and after
9 January 1, 1993, twenty-nine cents on and after July 1, 1993, thirty cents
10 on and after January 1, 1994, thirty-one cents on and after July 1, 1994,
11 thirty-two cents on and after January 1, 1995, thirty-three cents on and
12 after July 1, 1995, thirty-four cents on and after October 1, 1995, thirty-
13 five cents on and after January 1, 1996, thirty-six cents on and after

14 April 1, 1996, thirty-seven cents on and after July 1, 1996, thirty-eight
15 cents on and after October 1, 1996, thirty-nine cents on and after
16 January 1, 1997, thirty-six cents on and after July 1, 1997, thirty-two
17 cents on and after July 1, 1998, and twenty-five cents on and after July
18 1, 2000; and (B) in lieu of said taxes, each distributor shall pay a tax on
19 each gallon of gasohol, as defined in section 14-1, sold or used in this
20 state during such preceding calendar month, of twenty-five cents on
21 and after January 1, 1992, twenty-seven cents on and after January 1,
22 1993, twenty-eight cents on and after July 1, 1993, twenty-nine cents on
23 and after January 1, 1994, thirty cents on and after July 1, 1994, thirty-
24 one cents on and after January 1, 1995, thirty-two cents on and after
25 July 1, 1995, thirty-three cents on and after October 1, 1995, thirty-four
26 cents on and after January 1, 1996, thirty-five cents on and after April
27 1, 1996, thirty-six cents on and after July 1, 1996, thirty-seven cents on
28 and after October 1, 1996, thirty-eight cents on and after January 1,
29 1997, thirty-five cents on and after July 1, 1997, thirty-one cents on and
30 after July 1, 1998, and twenty-four cents on and after July 1, 2000, and
31 twenty-five cents on and after July 1, 2004; and (C) in lieu of such
32 [rate,] tax, (i) on each gallon of [diesel fuel,] propane or natural gas
33 sold or used in this state during such preceding calendar month, of
34 eighteen cents on and after September 1, 1991, and twenty-six cents on
35 and after August 1, 2002, and (ii) on each gallon of diesel fuel sold or
36 used in this state during such preceding calendar month, of eighteen
37 cents on and after September 1, 1991, and twenty-six cents on and after
38 August 1, 2002, and thirty-two cents on and after October 1, 2005.

39 Sec. 2. Subdivision (2) of subsection (b) of section 12-587 of the
40 general statutes is repealed and the following is substituted in lieu
41 thereof (*Effective July 1, 2005*):

42 (2) Gross earnings derived from the first sale of the following
43 petroleum products within this state shall be exempt from tax: (A) Any
44 petroleum products sold for exportation from this state for sale or use
45 outside this state; (B) the product designated by the American Society
46 for Testing and Materials as "Specification for Heating Oil D396-69",
47 commonly known as number 2 heating oil, to be used exclusively for

48 heating purposes or to be used in a commercial fishing vessel, which
49 vessel qualifies for an exemption pursuant to section 12-412; (C)
50 kerosene, commonly known as number 1 oil, to be used exclusively for
51 heating purposes, provided delivery is of both number 1 and number 2
52 oil, and via a truck with a metered delivery ticket to a residential
53 dwelling or to a centrally metered system serving a group of
54 residential dwellings; (D) the product identified as propane gas, to be
55 used exclusively for heating purposes; (E) bunker fuel oil, intermediate
56 fuel, marine diesel oil and marine gas oil to be used in any vessel
57 having a displacement exceeding four thousand dead weight tons; (F)
58 for any first sale occurring prior to July 1, 2008, propane gas to be used
59 as a fuel for a motor vehicle; (G) for any first sale occurring on or after
60 July 1, 2002, grade number 6 fuel oil, as defined in regulations adopted
61 pursuant to section 16a-22c, to be used exclusively by a company
62 which, in accordance with census data contained in the Standard
63 Industrial Classification Manual, United States Office of Management
64 and Budget, 1987 edition, is included in code classifications 2000 to
65 3999, inclusive, or in Sector 31, 32 or 33 in the North American
66 Industrial Classification System United States Manual, United States
67 Office of Management and Budget, 1997 edition; (H) for any first sale
68 occurring on or after July 1, 2002, number 2 heating oil to be used
69 exclusively in a vessel primarily engaged in interstate commerce,
70 which vessel qualifies for an exemption under section 12-412; (I) for
71 any first sale occurring on or after July 1, 2000, paraffin or
72 microcrystalline waxes; [or] (J) for any first sale occurring prior to July
73 1, 2008, petroleum products to be used as a fuel for a fuel cell, as
74 defined in subdivision (113) of section 12-412; or (K) for any first sale
75 occurring on or after October 1, 2005, diesel fuel to be used exclusively
76 in a qualified motor vehicle by a motor carrier, as both are defined in
77 section 12-478.

78 Sec. 3. Section 13b-61a of the general statutes is repealed and the
79 following is substituted in lieu thereof (*Effective July 1, 2005*):

80 Notwithstanding the provisions of section 13b-61, for calendar
81 quarters ending on or after September 30, 1998, and prior to September

82 30, 1999, the Commissioner of Revenue Services shall deposit into the
83 Special Transportation Fund established under section 13b-68 five
84 million dollars of the amount of funds received by the state from the
85 tax imposed under section 12-587, as amended by this act, on the gross
86 earnings from the sales of petroleum products attributable to sales of
87 motor vehicle fuel, for calendar quarters ending September 30, 1999,
88 and prior to September 30, 2000, the commissioner shall deposit into
89 the Special Transportation Fund nine million dollars of the amount of
90 such funds received by the state from the tax imposed under [said]
91 section 12-587, as amended by this act, on the gross earnings from the
92 sales of petroleum products attributable to sales of motor vehicle fuel;
93 for calendar quarters ending September 30, 2000, and prior to
94 September 30, 2002, the commissioner shall deposit into the Special
95 Transportation Fund eleven million five hundred thousand dollars of
96 the amount of such funds received by the state from the tax imposed
97 under [said] section 12-587, as amended by this act, on the gross
98 earnings from the sales of petroleum products attributable to sales of
99 motor vehicle fuel, for the calendar quarters ending September 30,
100 2002, and prior to September 30, 2003, the commissioner shall deposit
101 into the Special Transportation Fund, five million dollars of the
102 amount of such funds received by the state from the tax imposed
103 under said section 12-587, as amended by this act, on the gross
104 earnings from the sales of petroleum products attributable to sales of
105 motor vehicle fuel, [and] for the calendar quarter ending September 30,
106 2003, and [each calendar quarter thereafter] prior to September 30,
107 2005, the commissioner shall deposit into the Special Transportation
108 Fund, five million two hundred fifty thousand dollars of the amount of
109 such funds received by the state from the tax imposed under [said]
110 section 12-587, as amended by this act, on the gross earnings from the
111 sales of petroleum products attributable to sales of motor vehicle fuel,
112 for the calendar quarters ending on or after September 30, 2005, and
113 prior to September 30, 2006, the commissioner shall deposit into the
114 Special Transportation Fund, one million six hundred thousand
115 dollars, and for the calendar quarter ending September 30, 2006, and
116 each calendar quarter thereafter, the commissioner shall deposit into

117 the Special Transportation Fund, four hundred thousand dollars.

This act shall take effect as follows and shall amend the following sections:		
Section 1	<i>July 1, 2005</i>	12-458(a)(2)
Sec. 2	<i>July 1, 2005</i>	12-587(b)(2)
Sec. 3	<i>July 1, 2005</i>	13b-61a

FIN *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 06 \$	FY 07 \$
Department of Revenue Services	Various - Revenue Impact	See Below	See Below
Various State Agencies	Various - Savings	See Below	See Below

Municipal Impact:

Municipalities	Effect	FY 06 \$	FY 07 \$
All Municipalities	Savings	See Below	See Below

Explanation

The fiscal impact of the bill is outlined below.

Section	Provision	Revenue Impact (\$ - Millions)	
		FY 06 (3/4 year)	FY 07 (Full Year)
General Fund			
2	Exempts fuel used by certain large vehicles from the petroleum gross earnings tax.	-14.6	-19.4
3	Reduces the transfer from the petroleum gross earnings tax to the Special Transportation Fund.	14.6	19.4
	Net Impact - General Fund	<u>Neutral</u>	<u>Neutral</u>
Special Transportation Fund			
1	Increases the motor fuels tax on diesel fuel from 26 to 32 cents per gallon used in any type of vehicle.	14.6	19.4

Section	Provision	Revenue Impact (\$ - Millions)	
		FY 06 (3/4 year)	FY 07 (Full Year)
3	Reduces the transfer from the petroleum gross earnings tax to the Special Transportation Fund.	-14.6	19.4
<i>Net Impact - Special Transportation Fund</i>		<u>Neutral</u>	<u>Neutral</u>

Under current law, the state and municipalities pay the petroleum gross earnings tax because it is included in the price of motor fuel they purchase, but they are exempt from the motor fuels tax. The bill exempts diesel fuel used to operate large vehicles from the petroleum gross earnings tax, which is expected to result in a state and municipal cost saving of approximately \$1.1 million in FY 06 and \$1.5 million in FY 07. The increase in the motor fuels tax rate will have no fiscal impact because the state and municipalities are exempt.

It should be noted that it is unclear how fuel wholesalers, distributors and retailers will administer the petroleum gross earnings tax exemption because it is provided for large commercial vehicles but not for passenger cars or light duty trucks. Diesel fuel sold after October 1, 2005 would be taxed differently depending on the type of vehicle it is used in and this is likely to create administrative difficulties for businesses selling it.

OLR Bill Analysis

sHB 6837

AN ACT CONCERNING THE DIESEL FUEL TAX

SUMMARY:

This bill increases the motor fuel tax on diesel fuel used in any type of motor vehicle from 26 to 32 cents per gallon, starting October 1, 2005. It also exempts from the 5% petroleum products gross earnings tax, petroleum refiners' or distributors' gross earnings from first sales of diesel fuel in Connecticut, but only if the fuel is exclusively for use by motor carriers. The exemption applies to first sales of qualifying fuel occurring on or after October 1, 2005.

The petroleum product gross earnings tax exemption covers diesel fuel used to operate (1) two-axle trucks or combinations with gross vehicle weights or registered gross vehicle weights above 26,000 pounds and (2) three-or-more-axle trucks regardless of weight. It does not cover fuel for recreational vehicles used by individuals exclusively for pleasure and not in connection with a trade or business.

Finally, to reflect its changes in the two taxes, the bill reduces petroleum products gross earnings tax revenue transfers from the General Fund to the Special Transportation Fund (STF). It reduces quarterly transfers from \$5.25 million to \$1.6 million in FY 06 and to \$400,000 in FY 07 and thereafter. Petroleum products gross earnings tax revenue goes to the General Fund while motor fuel tax revenue goes to the STF.

EFFECTIVE DATE: July 1, 2005

COMMITTEE ACTION

Finance, Revenue and Bonding Committee

Joint Favorable Substitute

Yea 47 Nay 0

