



# Senate

General Assembly

**File No. 271**

*January Session, 2007*

Substitute Senate Bill No. 1159

*Senate, April 3, 2007*

The Committee on Transportation reported through SEN. DEFRONZO of the 6th Dist., Chairperson of the Committee on the part of the Senate, 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2 general statutes is repealed and the following is substituted in lieu  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, 2007*):

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, twenty-six  
37 cents on and after the effective date of this section, and thirty-two cents  
38 on and after October 1, 2007.

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, 2007*):

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; (J) for any first sale occurring prior to July 1,  
73 2008, petroleum products to be used as a fuel for a fuel cell, as defined  
74 in subdivision (113) of section 12-412; [or] (K) a commercial heating oil  
75 blend containing not less than ten per cent of alternative fuels derived  
76 from agricultural produce, food waste, waste vegetable oil or  
77 municipal solid waste, including, but not limited to, biodiesel or low  
78 sulfur dyed diesel fuel; or (L) for any first sale occurring on or after  
79 October 1, 2007, diesel fuel to be used exclusively in a qualified motor  
80 vehicle by a motor carrier, as defined in section 12-478.

81 Sec. 3. Subdivision (2) of subsection (b) of section 12-587 of the  
82 general statutes is repealed and the following is substituted in lieu  
83 thereof (*Effective July 1, 2007, and applicable to quarterly periods*  
84 *commencing on or after July 1, 2007*):

85 (2) Gross earnings derived from the first sale of the following  
86 petroleum products within this state shall be exempt from tax: (A) Any  
87 petroleum products sold for exportation from this state for sale or use  
88 outside this state; (B) the product designated by the American Society  
89 for Testing and Materials as "Specification for Heating Oil D396-69",  
90 commonly known as number 2 heating oil, to be used exclusively for  
91 heating purposes or to be used in a commercial fishing vessel, which  
92 vessel qualifies for an exemption pursuant to section 12-412; (C)  
93 kerosene, commonly known as number 1 oil, to be used exclusively for  
94 heating purposes, provided delivery is of both number 1 and number 2  
95 oil, and via a truck with a metered delivery ticket to a residential  
96 dwelling or to a centrally metered system serving a group of  
97 residential dwellings; (D) the product identified as propane gas, to be  
98 used exclusively for heating purposes; (E) bunker fuel oil, intermediate  
99 fuel, marine diesel oil and marine gas oil to be used in any vessel  
100 having a displacement exceeding four thousand dead weight tons; (F)  
101 for any first sale occurring prior to July 1, 2008, propane gas to be used  
102 as a fuel for a motor vehicle; (G) for any first sale occurring on or after  
103 July 1, 2002, grade number 6 fuel oil, as defined in regulations adopted  
104 pursuant to section 16a-22c, to be used exclusively by a company  
105 which, in accordance with census data contained in the Standard  
106 Industrial Classification Manual, United States Office of Management  
107 and Budget, 1987 edition, is included in code classifications 2000 to  
108 3999, inclusive, or in Sector 31, 32 or 33 in the North American  
109 Industrial Classification System United States Manual, United States  
110 Office of Management and Budget, 1997 edition; (H) for any first sale  
111 occurring on or after July 1, 2002, number 2 heating oil to be used  
112 exclusively in a vessel primarily engaged in interstate commerce,  
113 which vessel qualifies for an exemption under section 12-412; (I) for  
114 any first sale occurring on or after July 1, 2000, paraffin or  
115 microcrystalline waxes; (J) for any first sale occurring prior to July 1,  
116 2008, petroleum products to be used as a fuel for a fuel cell, as defined  
117 in subdivision (113) of section 12-412; [or] (K) a commercial heating oil  
118 blend containing not less than ten per cent by volume of alternative  
119 fuels derived from agricultural produce, food waste, waste vegetable

120 oil or municipal solid waste, including, but not limited to, biodiesel;  
 121 [or low sulfur dyed diesel fuel] or (L) for any first sale occurring on or  
 122 after July 1, 2006, ultra low sulfur diesel fuel, as defined in section 45H  
 123 of the Internal Revenue Code, which is dyed in accordance with  
 124 regulations prescribed under section 4082 of the Internal Revenue  
 125 Code and which is to be used as fuel in any ferry primarily engaged in  
 126 interstate commerce.

This act shall take effect as follows and shall amend the following sections:		
Section 1	<i>July 1, 2007</i>	12-458(a)(2)
Sec. 2	<i>July 1, 2007</i>	12-587(b)(2)
Sec. 3	<i>July 1, 2007, and applicable to quarterly periods commencing on or after July 1, 2007</i>	12-587(b)(2)

**TRA**      *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 chamber thereof for any purpose:

## OFA Fiscal Note

### State Impact:

Agency Affected	Fund-Effect	FY 08 \$	FY 09 \$
Department of Revenue Services	GF - Revenue Loss	27.2 million	38.2 million
Department of Revenue Services	TF - Revenue Gain	14.8 million	19.8 million

Note: GF=General Fund; TF=Transportation Fund

**Municipal Impact:** None

### Explanation

The bill is expected to result in a General Fund revenue loss of \$27.2 million in FY 08 and \$38.2 million in FY 09. The table shows the anticipated impact of exempting from the Petroleum products gross receipts tax: (1) diesel fuel used in large commercial vehicles and (2) diesel fuel used in ferries primarily engaged in interstate commerce.

Revenue Loss From the Petroleum Products Gross Receipts Tax			
(\$ millions)			
	Commercial Vehicles	Interstate Ferries	Total
FY 08	(26.8)	(0.4) <sup>1</sup>	(27.2)
FY 09	(38.0)	(0.2)	(38.2)

The bill also increases the diesel fuel tax from 26 cents to 32 cents per gallon, effective 10/1/07. This is expected to result in a revenue gain to the Special Transportation Fund of \$14.8 million in FY 08 and \$19.8 million in FY 09.

<sup>1</sup> The bill exempts diesel fuel used in ferries primarily engaged in interstate commerce after July 1, 2006. Therefore the FY 08 figure includes a one-time refund of \$200,000.

***The Out Years***

The annualized ongoing fiscal impact would increase in identified above would continue into the future subject to inflation.

**OLR Bill Analysis****sSB 1159*****AN ACT CONCERNING THE DIESEL FUEL TAX.*****SUMMARY:**

This bill exempts from the petroleum products gross receipts tax (1) diesel fuel used by certain large commercial motor vehicles and (2) for first sales occurring on or after July 1, 2006, any ultra low sulfur diesel fuel dyed in accordance with federal law and used as fuel in any ferry primarily engaged in interstate commerce. The bill also raises the excise tax on all diesel fuel sold or used in Connecticut on or after October 1, 2007 from 26 cents per gallon to 32 cents per gallon.

The truck diesel fuel exempted from the petroleum products gross receipts tax must be used exclusively in a qualified motor vehicle. The bill defines a "qualified motor vehicle" as one operated by a motor carrier that is used, designed, or maintained to transport people or property and (1) has two axles and a gross vehicle weight or registered gross weight over 26,000 pounds; (2) has three axles, regardless of its gross weight; or (3) is used in combination (e.g., a tractor-trailer), and its combined gross weight or registered gross weight exceeds 26,000 pounds. Recreational vehicles used by an individual exclusively for personal pleasure and not for any trade or business may not be considered in this category.

EFFECTIVE DATE: July 1, 2007 with the tax exemption for fuel used by interstate ferries applicable to quarterly periods beginning on or after that date.

**BACKGROUND*****Petroleum Products Gross Receipts Tax***

This is a quarterly gross earnings tax on companies that distribute

certain products in Connecticut containing or made from petroleum or a petroleum derivative.

***Ultra Low Sulfur Diesel Fuel***

Ultra low sulfur diesel fuel is fuel that has sulfur content of less than 15 parts per million. Low sulfur diesel fuel may have a sulfur content of not more than 500 parts per million.

**COMMITTEE ACTION**

Transportation Committee

Joint Favorable Substitute

Yea 24 Nay 6 (03/16/2007)