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## **OLR Bill Analysis**

### **HB 7374**

#### ***AN ACT CONCERNING THE CONNECTICUT AIRPORT AND AVIATION ACCOUNT AND REDUCING THE RATE OF SALES AND USE TAXES ON DYED DIESEL FUEL USED FOR MARINE PURPOSES.***

#### **SUMMARY**

This bill reduces, from 6.35% to 2.99%, the sales and use tax rate applicable to dyed diesel fuel (see BACKGROUND). The reduced rate applies to dyed diesel fuel that is sold by a marine fuel dock exclusively for marine purposes or stored, accepted, or otherwise used for those purposes. By law, dyed diesel fuel is exempt from the motor fuels tax and the petroleum products gross earnings tax (CGS §§ 12-458 & 12-587).

The bill also modifies the process for disbursing funds from the Connecticut Airport and Aviation Account (see BACKGROUND) to the Connecticut Airport Authority (CAA). Current law requires the Department of Transportation (DOT), with the Office of Policy and Management's (OPM) approval, to spend the account's resources for airport and aviation-related purposes. In practice, DOT, with approval from OPM, periodically transfers the funds to the CAA.

Under the bill, money in the account must be transferred directly to a CAA-established account and used for airport and aviation-related purposes. The amount and frequency of the transfers must be mutually agreed upon by the CAA executive director and the revenue services commissioner. As under existing law, money in the account must be used for airport and aviation purposes.

EFFECTIVE DATE: July 1, 2019

#### **BACKGROUND**

##### ***Dyed Diesel Fuel***

Federal law exempts diesel fuel used for certain non-highway purposes, including marine purposes, from federal fuel taxes and requires exempt diesel fuel to be dyed red so it can be identified.

***Connecticut Airport and Aviation Account***

State law subjects the sale of most petroleum products, including aviation fuel, to the 8.1% petroleum products gross earnings tax (PGET) (CGS § 12-587). By law, the revenue commissioner must deposit into the account 75.3% of PGET revenue from aviation fuel sources (equivalent to 6.1% of aviation fuel sales), regardless of a law requiring that all PGET revenue be deposited in the STF. The remaining 24.7% of PGET revenue from aviation fuel (equivalent to 2% of aviation fuel sales) is deposited in the STF.

Federal law requires that all airport revenue be used exclusively for airport-related purposes (49 U.S.C.A. § 47107(b)). Federal Aviation Administration policy guidance clarifies that state revenue derived from taxes on aviation fuel is considered “airport revenue,” even if those taxes are of general applicability, and is therefore subject to such restrictions (79 FR 66282). However, the restrictions do not apply to revenue from a tax or a portion of a tax that was in effect before December 30, 1987. (Because the PGET tax rate was 2% on that date, that portion of the revenue is grandfathered.)

***Related Bill***

sSB 869 (File 523), favorably reported by the Transportation Committee, contains an identical provision regarding the Connecticut Airport and Aviation account.

**COMMITTEE ACTION**

Finance, Revenue and Bonding Committee

Joint Favorable  
Yea 49 Nay 1 (05/01/2019)