



House of Representatives

General Assembly

File No. 893

January Session, 2019

House Bill No. 7374

House of Representatives, May 16, 2019

The Committee on Finance, Revenue and Bonding reported through REP. ROJAS of the 9th Dist., Chairperson of the Committee on the part of the House, that the bill ought to pass.

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.

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

1 Section 1. Section 13b-50c of the general statutes is repealed and the
2 following is substituted in lieu thereof (*Effective July 1, 2019*):

3 (a) There is established an account to be known as the "Connecticut
4 airport and aviation account" which shall be a separate, nonlapsing
5 account within the Grants and Restricted Accounts Fund established
6 pursuant to section 4-31c. The account shall contain any moneys
7 required by law to be deposited in the account. Moneys in the account
8 shall be expended [by the Commissioner of Transportation, with the
9 approval of the Secretary of the Office of Policy and Management, for
10 the purposes of airport and aviation-related purposes] in accordance
11 with the provisions of subsection (c) of this section.

12 (b) Notwithstanding the provisions of section 13b-61a, on and after

13 [the effective date of this section] October 31, 2017, the Commissioner
14 of Revenue Services shall deposit into said account seventy-five and
15 three-tenths per cent of the amounts received by the state from
16 aviation fuel sources from the tax imposed under section 12-587.

17 (c) Moneys in said account shall be transferred, in an amount and
18 frequency as is mutually agreed to by the Commissioner of Revenue
19 Services and the executive director of the Connecticut Airport
20 Authority established pursuant to section 15-120bb, to an account
21 established by said authority, which shall expend such moneys for the
22 purposes of airport and aviation-related purposes.

23 Sec. 2. Subparagraph (E) of subdivision (1) of section 12-408 of the
24 general statutes is repealed and the following is substituted in lieu
25 thereof (*Effective July 1, 2019*):

26 (E) (i) With respect to the sales of labor that is otherwise taxable
27 under subparagraph (C) or (G) of subdivision (2) of subsection (a) of
28 section 12-407 on existing vessels and repair or maintenance services
29 on vessels occurring on and after July 1, 1999, such services shall be
30 exempt from such tax;

31 (ii) With respect to the sale of a vessel, a motor for a vessel or a
32 trailer used for transporting a vessel, at the rate of two and ninety-
33 nine-hundredths per cent, except that the sale of a vessel shall be
34 exempt from such tax if such vessel is docked in this state for sixty or
35 fewer days in a calendar year;

36 (iii) With respect to the sale of dyed diesel fuel, as defined in
37 subsection (d) of section 12-487, sold by a marine fuel dock exclusively
38 for marine purposes, at the rate of two and ninety-nine-hundredths
39 per cent;

40 Sec. 3. Subparagraph (D) of subdivision (1) of section 12-411 of the
41 general statutes is repealed and the following is substituted in lieu
42 thereof (*Effective July 1, 2019*):

43 (D) (i) With respect to the acceptance or receipt in this state of labor

44 that is otherwise taxable under subparagraph (C) or (G) of subdivision
 45 (2) of subsection (a) of section 12-407 on existing vessels and repair or
 46 maintenance services on vessels occurring on and after July 1, 1999,
 47 such services shall be exempt from such tax;

48 (ii) (I) With respect to the storage, acceptance or other use of a vessel
 49 in this state, at the rate of two and ninety-nine-hundredths per cent,
 50 except that such storage, acceptance or other use shall be exempt from
 51 such tax if such vessel is docked in this state for sixty or fewer days in
 52 a calendar year;

53 (II) With respect to the storage, acceptance or other use of a motor
 54 for a vessel or a trailer used for transporting a vessel in this state, at the
 55 rate of two and ninety-nine-hundredths per cent;

56 (III) With respect to the storage, acceptance or other use of dyed
 57 diesel fuel, as defined in subsection (d) of section 12-487, exclusively
 58 for marine purposes, at the rate of two and ninety-nine-hundredths
 59 per cent;

This act shall take effect as follows and shall amend the following sections:		
Section 1	July 1, 2019	13b-50c
Sec. 2	July 1, 2019	12-408(1)(E)
Sec. 3	July 1, 2019	12-411(1)(D)

FIN *Joint Favorable*

The following Fiscal Impact Statement and Bill Analysis are prepared for the benefit of the members of the General Assembly, solely for purposes of information, summarization and explanation and do not represent the intent of the General Assembly or either chamber thereof for any purpose. In general, fiscal impacts are based upon a variety of informational sources, including the analyst's professional knowledge. Whenever applicable, agency data is consulted as part of the analysis, however final products do not necessarily reflect an assessment from any specific department.

OFA Fiscal Note

State Impact:

Agency Affected	Fund-Effect	FY 20 \$	FY 21 \$
Revenue Serv., Dept.	GF - Revenue Loss	Less than 10,000	Less than 10,000

Note: GF=General Fund

Municipal Impact: None

Explanation

The bill, which reduces the sales and use tax rate applicable to dyed diesel fuel sold by a marine fuel dock exclusively for marine purposes, results in a revenue loss of less than \$10,000 annually beginning in FY 20.

The bill also modifies the process for disbursing funds from the Connecticut Airport and Aviation Account to the Connecticut Airport Authority, which does not result in any fiscal impact.

The Out Years

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

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)