

House of Representatives, April 16, 1998. The Committee on Finance, Revenue and Bonding reported through REP. SCHIESSL, 60th DIST., Chairman of the Committee on the part of the House, that the substitute bill ought to pass.

AN ACT CONCERNING THE TAX ON GROSS EARNINGS FROM THE SALE OF PETROLEUM PRODUCTS.

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

1 Section 1. Section 12-587 of the general
2 statutes, as amended by section 1 of public act
3 97-281, is repealed and the following is
4 substituted in lieu thereof:

5 (a) As used in this chapter: (1) "Company"
6 includes a corporation, partnership, limited
7 partnership, association, individual or any
8 fiduciary thereof; (2) "quarterly period" means a
9 period of three calendar months commencing on the
10 first day of January, April, July or October and
11 ending on the last day of March, June, September
12 or December, respectively; (3) "gross earnings"
13 means those earnings derived from the first sale
14 within this state of a petroleum product, but does
15 not include earnings in a taxable year commencing
16 prior to January 1, 2000, from the sale of propane
17 gas as a fuel for a motor vehicle; [and] (4)
18 "petroleum products" means those products which
19 contain or are made from petroleum or a petroleum
20 derivative, but does not mean (A) the product
21 designated by the American Society for Testing and
22 Materials as "Specification for Heating Oil

23 D396-69", commonly known as number 2 heating oil,
24 to be used exclusively for heating purposes or to
25 be used in a commercial fishing vessel which
26 vessel qualifies for an exemption pursuant to
27 section 12-412, (B) kerosene, commonly known as
28 number 1 oil, used exclusively for heating
29 purposes, provided delivery is of both number 1
30 and number 2 oil, and via a truck with a metered
31 delivery ticket to a residential dwelling or to a
32 centrally metered system serving a group of
33 residential dwellings, (C) the product identified
34 as propane gas to be used exclusively for heating
35 purposes, or (D) bunker fuel oil, intermediate
36 fuel, marine diesel oil and marine gas oil for use
37 in any vessel having a displacement exceeding four
38 thousand dead weight tons. For calendar quarters
39 commencing on or after July 1, 2002, petroleum
40 products shall not include grade number 6 fuel
41 oil, as defined in regulations adopted pursuant to
42 section 16a-22c, to be used exclusively by a
43 company which, in accordance with census data
44 contained in the Standard Industrial
45 Classification Manual, United States Office of
46 Management and Budget, 1987 edition, is included
47 in code classifications 2000 to 3999, inclusive,
48 or number 2 heating oil used exclusively in a
49 vessel primarily engaged in interstate commerce,
50 which vessel qualifies for an exemption under
51 SECTION 12-412, AS AMENDED; (5) "RATE PER GALLON"
52 MEANS FIVE PER CENT OF THE AVERAGE PRICE, AS
53 DETERMINED BY THE COMMISSIONER FOR EACH CALENDAR
54 QUARTER, COMPUTED TO THE NEAREST TENTH OF A CENT
55 PER GALLON; AND (6) "AVERAGE PRICE" MEANS THE
56 WEIGHTED AVERAGE SELLING PRICE PER GALLON OF FUEL
57 EXCLUSIVE OF FEDERAL AND STATE MOTOR FUEL TAXES
58 IMPOSED ON SUCH FUEL SOLD BY LICENSEES, AS
59 DETERMINED BY THE COMMISSIONER ON A CONSISTENT
60 BASIS FROM STATISTICAL DATA REFLECTING THE AVERAGE
61 LEVEL OF SUCH PRICES AT THE TIME SUCH
62 DETERMINATION IS MADE.

63 (b) (1) Except as provided in subdivision (2)
64 of this subsection, any company which is engaged
65 in the refining or distribution, or both, of
66 petroleum products and which distributes such
67 products in this state shall pay a quarterly tax
68 [at the rate of five per cent of its] ON gross
69 earnings derived from the sale of petroleum
70 products within this state. THE TAX ON GROSS

71 EARNINGS DERIVED FROM THE SALE OF PETROLEUM
72 PRODUCTS, OTHER THAN FUELS, AS DEFINED IN SECTION
73 12-455a, SHALL BE IMPOSED AT A RATE OF FIVE PER
74 CENT OF ITS GROSS EARNINGS. THE TAX ON GROSS
75 EARNINGS DERIVED FROM THE SALE OF FUELS, AS
76 DEFINED IN SECTION 12-455a, SHALL BE IMPOSED AT A
77 RATE PER GALLON. Each company shall on or before
78 the last day of the month next succeeding each
79 quarterly period render to the commissioner, under
80 oath of its treasurer or the person performing the
81 duties of treasurer or of an authorized agent or
82 officer, a return on forms prescribed or furnished
83 by the commissioner, including the amount of gross
84 earnings derived from the sale of petroleum
85 products within this state for the quarterly
86 period and such other facts as the commissioner
87 may require for the purpose of making any
88 computation required by this chapter.

89 (2) The rate of tax derived from the sale of
90 grade number 6 fuel oil, as defined in regulations
91 adopted pursuant to section 16a-22c, to be used
92 exclusively by a company which, in accordance with
93 census data contained in the Standard Industrial
94 Classification Manual, United States Office of
95 Management and Budget, 1987 edition, is included
96 in code classifications 2000 to 3999, inclusive,
97 or number 2 heating oil used exclusively in a
98 vessel primarily engaged in interstate commerce,
99 which vessel qualifies for an exemption under
100 SECTION 12-412, AS AMENDED, shall be: (A) Four per
101 cent with respect to calendar quarters commencing
102 on or after July 1, 1998, and prior to July 1,
103 1999; (B) three per cent with respect to calendar
104 quarters commencing on or after July 1, 1999, and
105 prior to July 1, 2000; (C) two per cent with
106 respect to calendar quarters commencing on or
107 after July 1, 2000, and prior to July 1, 2001; and
108 (D) one per cent with respect to calendar quarters
109 commencing on or after July 1, 2001, and prior to
110 July 1, 2002. Gross earnings from sales as
111 provided in this subdivision shall not be subject
112 to the provisions of this chapter with respect to
113 calendar quarters commencing on or after July 1,
114 2002.

115 (c) Any company which imports or causes to be
116 imported into this state petroleum products for
117 its use and consumption, other than a company
118 which is subject to and which has paid the tax on

119 such petroleum products in accordance with
120 subsection (b) of this section, shall pay a
121 quarterly tax at the rate of five per cent of the
122 consideration given or contracted to be given for
123 such petroleum product if the consideration given
124 or contracted to be given for all such deliveries
125 during the quarterly period for which such tax is
126 to be paid exceeds one hundred thousand dollars.
127 For the purposes of this subsection, "use"
128 includes the sale of imported petroleum products
129 in the regular course of business. Fuel in the
130 fuel supply tanks of a motor vehicle, which fuel
131 tanks are directly connected to the engine, shall
132 not be considered a delivery for the purposes of
133 this subsection.

134 (d) The amount of tax reported to be due on
135 such return shall be due and payable on or before
136 the last day of the month next succeeding the
137 quarterly period. The tax imposed under the
138 provisions of this chapter shall be in addition to
139 any other tax imposed by this state on such
140 company.

141 (e) For the purposes of this chapter, the
142 gross earnings of any producer or refiner of
143 petroleum products operating a service station
144 along the highways or interstate highways within
145 the state pursuant to a contract with the
146 Department of Transportation or operating a
147 service station which is used as a training or
148 test marketing center under the provisions of
149 subsection (b) of section 14-344d, shall be
150 calculated by multiplying the volume of petroleum
151 products delivered by any producer or refiner to
152 any such station by such producer's or refiner's
153 dealer tank wagon price or dealer wholesale price
154 in the area of the service station.

155 Sec. 2. This act shall take effect January 1,
156 1999, and shall be applicable to calendar quarters
157 commencing on or after said date.

158 FIN COMMITTEE VOTE: YEA 44 NAY 0 JFS

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"THE FOLLOWING FISCAL IMPACT STATEMENT AND BILL ANALYSIS ARE PREPARED FOR THE BENEFIT OF 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 HOUSE THEREOF FOR ANY PURPOSE."

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FISCAL IMPACT STATEMENT - BILL NUMBER sHB 5663

STATE IMPACT	Cost, see explanation below
MUNICIPAL IMPACT	None
STATE AGENCY(S)	Department of Revenue Services

EXPLANATION OF ESTIMATES:

STATE IMPACT: The Department of Revenue Services will require \$265,000 for programming changes and for notifying 600 taxpayers as to the change in the method of calculating the tax.

There is not anticipated to be a revenue impact resulting from changes in the methodology used to calculate the Petroleum Companies Gross Earnings Tax on motor fuels.

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OFA BILL ANALYSIS

sHB 5663

AN ACT CONCERNING THE TAX ON GROSS EARNINGS FROM THE SALE OF PETROLEUM PRODUCTS

SUMMARY: The bill changes the method of calculating the Petroleum Companies Gross Earnings Tax on gasoline, gasohol or other fuel used in internal combustion engines. The bill changes the method of calculating the tax from to 5% of gross earnings derived from fuel sales to 5% of the average price per gallon.

The bill defines average price as the weighted average

selling price per gallon of fuel, exclusive of state and federal motor fuel taxes, as determined by the Commissioner of Revenue Services using available statistical data.

EFFECTIVE DATE: January 1, 1999

FURTHER EXPLANATION

Petroleum Companies Gross Earnings Tax

Companies engaged in the business of refining, distribution, or both, of petroleum products and distributes such products in the state are required to pay a quarterly tax at the rate of 5% of its gross earnings derived from the sale of petroleum products with the state. Gross earnings are defined as earnings derived from the first sale within the state.

COMMITTEE ACTION

Finance, Revenue and Bonding Committee

Joint Favorable Substitute
Yea 44 Nay 0