SECOND REGULAR SESSION

ONE HUNDRED AND ELEVENTH LEGISLATURE

Legislative Document No. 2231

H.P. 1704 House of Representatives, March 15, 1984

Submitted by the Office of Energy Resources pursuant to P&SL 1983, chapter 54.

Reported by Representative Higgins from the Steering Committee on the Economic Feasibility of Ethanol Fuel pursuant to Private and Special Laws of 1983, chapter 54 and printed under Joint Rule 18.

EDWIN H. PERT, Clerk

STATE OF MAINE

IN THE YEAR OF OUR LORD NINETEEN HUNDRED AND EIGHTY-FOUR

AN ACT to Promote the Distillation of Ethanol for Use as an Internal Combustion Engine Fuel.

Be it enacted by the People of the State of Maine as follows:

PART A

36 MRSA §2914 is enacted to read:

§2914. Reimbursement from General Fund to the Highway Fund

The Legislature makes a finding of fact that the distillation of ethanol, in the State, for use in internal combustion engine fuel to be in the economic interest of all the citizens of the State. In addition, the process will produce a high protein animal feed, carbon dioxide and electric power. The economic subsidy provided under section 2903, subsection 2, should be provided ultimately from the General Fund and should not exceed a total of $5,000,000 between 1986 and 1990. Further, the economic subsidy may not exceed $1,250,000 annually, except that, if the subsidy for a given year is not fully used during that year, the unused portion may be added to the subsidy for the next year or years. If the subsidy reaches the amount available as provided in this section at any time during a year, as determined by the State Tax Assessor, the rate set forth in section 2903, subsection 2, for that year shall no longer be in effect for the following month.

Based on this legislative finding of fact, the Highway Fund shall be reimbursed from the General Fund each month for the loss of revenue due to the economic subsidy. The State Tax Assessor shall certify to the State Controller on or before the 15th day of each month the amount to be reimbursed as of the close of the State Controller's records for the previous month.

PART B

36 MRSA §2903, as repealed and replaced by PL 1983, c. 438, §1, is repealed and the following enacted in its place:

§2903. Tax levied; rebates

1. Excise tax levied. Except as provided in subsection 2, an excise tax is levied and imposed at the rate of 14¢ per gallon upon internal combustion engine fuel sold or used within this State, including these sales when made to the State or any political subdivision thereof, for any purpose whatsoever, except the internal combustion engine fuel sold or used in such form and under such circumstances as shall preclude the collection of this tax by reason of the laws of the United States, or sold wholly for exportation from the State, or brought into the State in the ordinary standarized equipment fuel tank attached to and forming a part of a motor vehicle and used in the operation of that vehicle within the State, except that no tax may be levied upon internal combustion engine fuel, as defined in section 2902, bought or used by any person, association of persons, firm

or corporation for the purpose of propelling jet or turbojet engine aircraft, or sold wholly for exportation from the State, or brought into the State in the fuel tanks of an aircraft, or on or after July 1, 1983, sold in bulk to any political subdivision of the State. On the same fuel only one tax shall be paid to the State, for which tax the distributor first receiving the fuel in the State shall be primarily liable to the State, except when that fuel has been sold and delivered to a licensed exporter wholly for exportation from the State, or to another distributor in the State, in which case the purchasing distributor shall be primarily liable to the State for the tax.

Internal combustion engine fuel, as defined in section 2902, which is held by retailers at the close of March 31, 1983, shall be subject to the 14¢ per gallon tax rate. Retailers, as defined in section 1752, subsection 10, shall be liable for the difference between the 14¢ per gallon tax rate and the 9¢ per gallon tax rate in effect prior to April 1, 1983. Payment shall be made to the State Tax Assessor before May 15, 1983, and it shall be accompanied by the appropriate completed form described by the State Tax Assessor.

2. Internal combustion engine fuel; distilled in the State. Notwithstanding subsection 1, beginning January 1, 1986, internal combustion engine fuel blended in the State containing at least 10% ethanol distilled in the State shall be subject to tax as set forth in this subsection, except as provided in section 2914.

A. From January 1, 1986, to December 31, 1986, the tax shall be at the rate prescribed in subsection 1, less 4¢.

B. From January 1, 1987, to December 31, 1987, the tax shall be at the rate prescribed in subsection 1, less 3¢.

C. From January 1, 1988, to December 31, 1988, the tax shall be at the rate prescribed in subsection 1, less 2¢.

D. From January 1, 1989, to December 31, 1989, the tax shall be at the rate prescribed in subsection 1, less 1¢.

E. On and after January 1, 1990, the tax shall be at the rate prescribed in subsection 1.

The tax prescribed in this section shall apply to internal combustion engine fuel, sold in Maine, containing at least 10% ethanol distilled in another state, provided that the State affords at least equal tax subsidies for internal combustion engine fuel, sold or used in that state, containing at least 10% ethanol distilled in Maine.

PART C

Sec. 1. 36 MRSA §1760, sub-§8, ¶¶A and B, as enacted by PL 1981, c. 702, Pt. V, §1, are amended to read:

A. Motor fuels upon which a tax at the maximum rate for highway use has been paid pursuant to Part 5 or a comparable tax of any other state or province; ~~and~~

B. Internal combustion engine fuel, as defined in section 2902, bought and used for the purpose of propelling jet or turbojet engine aircraft in international flights~~.~~; and

Sec. 2. 36 MRSA §1760, sub-§8, ¶C is enacted to read:

C. Internal combustion engine fuel containing at least 10% ethanol and taxed at the rate provided in section 2903, subsection 2.

Sec. 3. 36 MRSA §2915 is enacted to read:

§2915. Report to the Legislature

The State Tax Assessor shall report to the Legislature by January 31, 1987, and each subsequent year until 1990 on the amount of revenue losses due to the economic subsidy provided in section 2903, subsection 2. The report shall also include information provided by the Office of Energy Resources on ethanol sales in other states, revenue losses to those states from similar economic subsidies and any other relevant information on the market for ethanol blended gasoline requested by the Legislature.

STATEMENT OF FACT

This bill is the result of the findings and recommendations of the Ethanol Study Committee that was established by the First Regular Session of the 111th Legislature to evaluate the costs and benefits of an ethanol tax exemption.

New England Ethanol, Inc., proposes to build a $94,000,000 plant in Maine that would produce 25,000,000 gallons of ethanol per year. The committee found that the project would not be economically feasible without an excise tax exemption and that the long-term benefits to the State from the project outweigh the loss of revenues due to the exemption.

Roughly 120 jobs will be created at the ethanol and carbon dioxide plants, approximately 75 jobs will be created in rail and trucking industries and 200 jobs in the consumer goods and services sector. Construction jobs would range from 200 to 300 over the construction period.

A positive economic benefit of roughly $10,000,000 per year in increased personal income will be obtained by the local economy. State tax revenues will increase roughly $700,000 per year. If 20% of the plant's output was sold in Maine, the loss of state revenue would be about $5,000,000 over the 4-year exemption period. It would take approximately 7 to 8 years for the total tax revenue gains to outweigh the tax revenue losses. There is uncertainty as to how much ethanol would be sold in Maine. If only 10% of the plant's output was sold in Maine, revenue losses would also be cut in half.

Another less quantifiable benefit will be unit trains hauling grain to the plant and possibly backhauling other Maine products to the midwest. This concept, if implemented, would enable Maine farmers to achieve cheaper grain freight rates. Also, the willingness of New England Ethanol, Inc. to serve as a grain terminal for Maine poultry farmers is an important benefit, eliminating the need for a $3,500,000 grain facility.

Several by-products of the plant will also prove very beneficial. The high protein distillers dry grain will go into feed grains sold in the northeast. In addition, the plant will be selling electric power to Central Maine Power Company and the carbon dioxide will be used by a plant that would be constructed next to New England Ethanol, Inc.

This bill provides a 4-year phase-out exemption from the gasoline tax on alcohol blended gasoline. Highway Fund revenue losses resulting from the exemption will be reimbursed from the General Fund and may not exceed $5,000,000 over the 4-year period. The exemption will assist the project in marketing its product and in obtaining the necessary financing for construction.

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