

MAINE STATE LEGISLATURE

The following document is provided by the
LAW AND LEGISLATIVE DIGITAL LIBRARY
at the Maine State Law and Legislative Reference Library
<http://legislature.maine.gov/lawlib>



Reproduced from scanned originals with text recognition applied
(searchable text may contain some errors and/or omissions)



120th MAINE LEGISLATURE

SECOND REGULAR SESSION-2002

Legislative Document

No. 2020

H.P. 1516

House of Representatives, December 26, 2001

An Act to Promote the Fiscal Sustainability of the Highway Fund.

Submitted by the Department of Transportation pursuant to Joint Rule 204.
Received by the Clerk of the House on December 19, 2001. Referred to the Committee on
Transportation pursuant to Joint Rule 308.2 and ordered printed pursuant to Joint Rule 401.

Millicent M. MacFarland

MILLICENT M. MacFARLAND, Clerk

Presented by Representative FISHER of Brewer.
Cosponsored by Senator GAGNON of Kennebec and
Representatives: BERRY of Livermore, McNEIL of Rockland, MURPHY of Berwick,
Senators: KNEELAND of Aroostook, O'GARA of Cumberland, SAVAGE of Knox.

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

4 **Sec. 1. 36 MRSA §2903, sub-§1**, as amended by PL 1999, c. 473, Pt. B, §1 and affected by §5, is further amended to read:

6 **1. Excise tax imposed.** An excise tax is imposed on
8 internal combustion engine fuel used or sold within this State,
including sales to the State or a political subdivision of the
10 State, at the rate of 22¢ per gallon, except that the rate is
12 3.4¢ per gallon on internal combustion engine fuel, as defined in
section 2902, bought or used for the purpose of propelling jet or
14 turbojet engine aircraft. The tax rate provided by this section
is subject to annual inflation adjustment pursuant to section
3321 except with respect to the tax imposed upon fuel bought or
used for the purpose of propelling jet or turbojet engine
16 aircraft.

18 **Sec. 2. 36 MRSA §2903, sub-§1-B**, as enacted by PL 1999, c.
473, Pt. B, §2, is repealed.

20 **Sec. 3. 36 MRSA §2903, sub-§1-C** is enacted to read:

22 **1-C. Inventory tax.** On the date that any increase in the
24 rate of tax imposed under this chapter takes effect, an inventory
tax is imposed by this subsection upon all internal combustion
26 engine fuel that is held in inventory by a distributor or retail
dealer as of the end of the day prior to that date with respect
28 to which the tax imposed pursuant to subsection 1 has been paid.
The inventory tax is computed by multiplying the number of
30 gallons of tax-paid fuel held in inventory by the difference
between the tax rate already paid and the new tax rate.
32 Distributors and retail dealers that hold such tax-paid inventory
shall make payment of the inventory tax on or before the 15th day
34 of the next calendar month, accompanied by a form prescribed and
furnished by the State Tax Assessor. In the event of a decrease
36 in the tax rate, the distributor or retail dealer is entitled to
a refund or credit, which must be claimed on a form designed and
38 furnished by the assessor. This section does not apply to
internal combustion engine fuel purchased or used for the purpose
40 of propelling jet or turbojet engine aircraft.

42 **Sec. 4. 36 MRSA §2916**, as enacted by PL 1987, c. 793, Pt. A,
§11, is repealed.

44 **Sec. 5. 36 MRSA §3203, sub-§1**, as amended by PL 2001, c. 396,
46 §28, is further amended to read:

48 **1. Generally.** Except as provided in section 3204-A, an
excise tax is levied and imposed on all suppliers of distillates

2 sold, on all retailers of low-energy fuel sold and on all users
 4 of special fuel used in this State for each gallon of distillate
 6 at the rate of 23¢ per gallon and for each gallon of low-energy
 8 fuel based on the British Thermal Unit, referred to in this
 subsection as "BTU," energy content for each fuel as compared to
gasoline. In the case of distillates, the tax rate provided by
this section is subject to annual inflation adjustment pursuant
to section 3321. These Applicable BTU values are as follows.

| 10 | Fuel type | BTU content | Formula | Tax rate |
|----|---------------------------|--|--------------------------|--|
| 12 | | per gallon | (BTU | |
| 14 | | | value fuel/ BTU value | |
| 16 | | | gasoline) x tax rate | |
| 18 | | | gasoline | |
| 20 | Gasoline | 115,000 | 100% x 22¢ | 22¢ per gallon as authorized in section 2903 |
| 22 | | | | |
| 24 | | | | |
| 26 | Methanol (M85) | 65,530 | 57% x 22¢ | 12.5¢ per gallon |
| 28 | | | | |
| 30 | Ethanol (E85) | 81,850 | 71% x 22¢ | 15.6¢ per gallon |
| 32 | | | | |
| 34 | Propane | 84,500 | 73% x 22¢ | 16¢ per gallon |
| 36 | | | | |
| 38 | Compressed Natural Gas | 100,000 (BTU per 100 standard cubic feet) | 87% x 22¢ | 19.1¢ per 100 standard cubic feet |
| 40 | | | | |
| 42 | | | | |

44 **Sec. 6. 36 MRS §3203-B**, as enacted by PL 1999, c. 473, Pt.
 46 B, §4, is repealed.

48 **Sec. 7. 36 MRS §3203-C** is enacted to read:

2 **§3203-C. Inventory tax**

4 On the date that any increase in the rate of tax imposed
6 under this chapter takes effect, an inventory tax is imposed upon
8 all distillates that are held in inventory by a distributor or
10 retail dealer as of the end of the day prior to that date on
12 which the tax imposed by section 3203, subsection 1 has been
14 paid. The inventory tax is computed by multiplying the number of
16 gallons of tax-paid fuel held in inventory by the difference
18 between the tax rate already paid and the new tax rate.
Distributors and retail dealers that hold such tax-paid inventory
shall make payment of the inventory tax on or before the 15th day
of the next calendar month, accompanied by a form prescribed and
furnished by the State Tax Assessor. In the event of a decrease
in the tax rate, the distributor or retail dealer is entitled to
a refund or credit, which must be claimed on a form designed and
furnished by the assessor.

20 **Sec. 8. 36 MRSA c. 465** is enacted to read:

22 **CHAPTER 465**

24 **INDEXING OF MOTOR FUEL TAX RATES**

26 **§3321. Annual adjustment of tax rates**

28 1. **Generally.** Beginning in 2003, and each calendar year
30 thereafter, the excise tax imposed upon internal combustion
32 engine fuel pursuant to section 2903, subsection 1 and the excise
34 tax imposed upon distillates pursuant to section 3203, subsection
36 1 are subject to an annual rate of adjustment pursuant to this
38 section. On or about February 15th of each year, the State Tax
40 Assessor shall calculate the adjusted rates by multiplying the
rates in effect on the calculation date by an inflation index as
computed in subsection 2. The adjusted rates must then be
rounded to the nearest 1/10 of a cent and become effective on the
first day of July immediately following the calculation. The
assessor shall publish the annually adjusted fuel tax rates and
shall provide all necessary forms and reports to suppliers,
distributors and retail dealers.

42 2. **Method of calculation; inflation index defined.** The
44 inflation index for any year is the Consumer Price Index as
46 defined in section 5402, subsection 1 for the calendar year
48 ending on the December 31st immediately preceding the calculation
date, divided by the Consumer Price Index for the prior calendar
year.

50 3. **Exclusion.** This section does not apply to internal
combustion engine fuel purchased or used for the purpose of
propelling jet or turbojet engine aircraft.

2

SUMMARY

4

6

This bill promotes the fiscal sustainability of the Highway Fund by annually indexing motor fuel taxes to reflect inflation, with the new rates taking effect each July 1st, starting in 2003.