

# MAINE STATE LEGISLATURE

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1/15/8

(Filing No. H-653)

## TAXATION

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STATE OF MAINE  
HOUSE OF REPRESENTATIVES  
123RD LEGISLATURE  
SECOND REGULAR SESSION

COMMITTEE AMENDMENT "A" to H.P. 409, L.D. 531, Bill, "An Act To Improve the Method of Taxing Natural Gas for Highway Use"

Amend the bill by striking out everything after the enacting clause and inserting the following:

'Sec. 1. 36 MRSA §3203, sub-§1, as amended by PL 2001, c. 688, §5, is further amended to read:

1. **Generally.** Except as provided in section 3204-A, before July 1, 2008 an excise tax is levied and imposed on all suppliers of distillates sold, on all retailers of low-energy fuel sold and on all users of special fuel used in this State for each gallon of distillate at the rate of 23¢ per gallon and for each gallon of low-energy 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. Applicable BTU values are as follows.

Fuel type	BTU content per gallon	Formula (BTU value fuel/BTU value gasoline) x tax rate gasoline	Tax rate
Gasoline	115,000	100% x 22¢	22¢ per gallon as authorized in section 2903
Methanol (M85)	65,530	57% x 22¢	12.5¢ per gallon
Ethanol (E85)	81,850	71% x 22¢	15.6¢ per gallon
Propane	84,500	73% x 22¢	16¢ per gallon
Compressed Natural Gas	100,000 (BTU per 100 standard cubic feet)	87% x 22¢	19.1¢ per 100 standard cubic feet

**Sec. 2. 36 MRSA §3203, sub-§1-B is enacted to read:**

**1-B. Generally; rates beginning July 1, 2008.** Except as provided in section 3204-A, beginning July 1, 2008 an excise tax is levied and imposed on all suppliers of distillates sold, on all retailers of low-energy fuel sold and on all users of special fuel used in this State for each gallon of distillate at the rates provided in this subsection. Tax rates for each gallon of low-energy fuel are based on the British Thermal Unit, referred to in this subsection as "BTU," energy content for each fuel as based on gasoline gallon equivalents or the comparable measure for distillates. The gasoline gallon equivalent is the amount of alternative fuel that equals the BTU energy content of one gallon of gasoline. In the case of distillates, the tax rate provided by this section is subject to annual inflation adjustment pursuant to section 3321. For purposes of this subsection, "base rate" means the rate in effect for gasoline or diesel on July 1st of each year as indexed under section 3321.

A. This paragraph establishes the applicable BTU values and tax rates based on gasoline gallon equivalents.

<u>Fuel type based on gasoline</u>	<u>BTU content per gallon or gasoline gallon equivalent</u>	<u>Tax rate formula (BTU value fuel/BTU value gasoline) x base rate</u>
<u>Gasoline</u>	<u>115,000</u>	<u>100% x base rate</u>
<u>Propane</u>	<u>84,500</u>	<u>73% x base rate</u>
<u>Compressed Natural Gas (CNG)</u>	<u>115,000</u>	<u>100% x base rate</u>
<u>Methanol</u>	<u>56,800</u>	<u>49% x base rate</u>
<u>Ethanol</u>	<u>76,000</u>	<u>66% x base rate</u>
<u>Hydrogen</u>	<u>115,000</u>	<u>100% x base rate</u>
<u>Hydrogen Compressed Natural Gas</u>	<u>115,000</u>	<u>100% x base rate</u>

B. This paragraph establishes the applicable BTU values and tax rates based on distillate gallon equivalents.

<u>Fuel type based on diesel</u>	<u>BTU content per gallon or gallon equivalent</u>	<u>Tax rate formula (BTU value fuel/BTU value diesel) x base rate diesel</u>
<u>Diesel</u>	<u>128,400</u>	<u>100% x base rate</u>
<u>Liquified Natural Gas (LNG)</u>	<u>73,500</u>	<u>57% x base rate</u>
<u>Biodiesel</u>	<u>118,300</u>	<u>92% x base rate</u>

C. The conversion factors established in this paragraph must be used in converting to gasoline gallon equivalents.

(1) For compressed natural gas, BTUs per 100 standard cubic feet is 93,000, and there are 123.66 standard cubic feet per gasoline gallon equivalent.

(2) For hydrogen, BTUs per 100 standard cubic feet is 27,000, and there are 425.93 standard cubic feet per gasoline gallon equivalent.

(3) For hydrogen compressed natural gas, BTUs per 100 standard cubic feet is 79,800, and there are 144.11 standard cubic feet per gasoline gallon equivalent.

**Sec. 3. 36 MRSA §3321, sub-§1**, as enacted by PL 2001, c. 688, §8, is amended to read:

**1. Generally.** Beginning in 2003, and each calendar year thereafter, the excise tax imposed upon internal combustion engine fuel pursuant to section 2903, subsection 1 and the excise tax imposed upon distillates pursuant to section 3203, ~~subsection~~ subsections 1 and 1-B are subject to an annual rate of adjustment pursuant to this section. On or about February 15th of each year, the State Tax 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.

**Sec. 4. Transition.** For taxes imposed during the fiscal year beginning July 1, 2008, the State Tax Assessor is authorized to calculate tax rates under the Maine Revised Statutes, Title 36, section 3203, subsection 1-B in a manner that most closely reflects the relative British Thermal Unit values between the fuel types listed in that subsection based on the tax rates for gasoline and diesel on July 1, 2008. This section applies retroactively.'

## SUMMARY

This amendment changes the formulas for calculation of fuel tax rates on alternative fuels to reflect the energy content of the alternative fuel relative to the conventional petroleum fuels being displaced.

**FISCAL NOTE REQUIRED**  
(See attached)



Approved: 01/03/08 *mac*

# 123rd MAINE LEGISLATURE

LD 531

LR 1228(02)

## An Act To Improve the Method of Taxing Natural Gas for Highway Use

Fiscal Note for Bill as Amended by Committee Amendment "A"

Committee: Taxation

Fiscal Note Required: Yes

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### Fiscal Note

	2007-08	2008-09	Projections 2009-10	Projections 2010-11
<b>Net Cost (Savings)</b>				
General Fund	\$0	\$7	\$7	\$8
Highway Fund	\$0	\$20,875	\$22,962	\$25,259
<b>Revenue</b>				
General Fund	\$0	(\$7)	(\$7)	(\$8)
Highway Fund	\$0	(\$20,875)	(\$22,962)	(\$25,259)
Other Special Revenue Funds	\$0	(\$118)	(\$130)	(\$144)

#### Fiscal Detail and Notes

The Highway Fund revenue loss associated with changes in the fuel tax rate for alternative fuels is \$20,875 in fiscal year 2008-09. The General Fund revenue loss is \$7 in fiscal year 2008-09.