

Department of Finance and Administration

Legislative Impact Statement

Bill: SB1075

As Engrossed: 3/14/2013

Bill Subtitle: TO AMEND THE ALTERNATIVE FUELS TAX LAW; TO AMEND THE EXCISE TAX LEVIED ON ALTERNATIVE FUELS; TO CREATE A FAIR AND EQUITABLE METHOD OF MAINTAINING THE ROADS IN THE STATE; AND TO DECLARE AN EMERGENCY.

Basic Change :

Senator Files

Representative Jean

Engrossment 03/14/13 --- Senate Amendment 1 --- The bill amends the Arkansas Alternative Fuels Tax code provisions to provide definitive dates for the progression of the tax rates on alternative fuels, provide new definitions for natural gas based fuels and gallon equivalents and removes DFA's responsibility of determining if thresholds have been met for tax rate changes. Under current law, the tax rates on alternative fuels will increase as the number of motor vehicles licensed in Arkansas that use alternative fuels also increases. DFA is assigned the responsibility to determine the number of vehicles licensed and increase the tax rates accordingly. The bill replaces this requirement and provides for definitive dates for the tax rates changes. This bill maintains the current tax rate of five cents (\$.05) per gallon on compressed natural gas fuels for FY2014. The tax rates established would be as follows:

July 1, 2013	5¢ per gallon (current rate)
July 1, 2014	8¢ per gallon
July 1, 2015	11¢ per gallon
July 1, 2016	17¢ per gallon
July 1, 2017	21½¢ per gallon on compressed natural gas fuels
	22½ ¢ per gallon on liquefied natural gas fuels
	21½¢ per gallon on other alternative fuels

Under the proposed schedule and beginning on July 1, 2017, compressed natural gas fuels (CNG) and other alternative fuels would be taxed the same as gasoline and liquefied natural gas fuel (LNG) would be taxed the same as diesel. Under current law, liquefied natural gas fuels are not referenced and are anticipated as being the primary natural gas based fuel type that will be used in interstate trucking.

The bill also amends the definition of "gallon equivalent" for purposes of the alternative fuels tax law. Currently, one hundred cubic feet (100 c.f.) of natural gas fuel is equal to one U.S. gallon of gasoline. The bill amends the definition to provide that one hundred twenty-five cubic feet (125 c.f.) of natural gas fuel is equal to one U.S. gallon of gasoline. The bill also provides that one gallon of liquefied natural gas fuel (LNG) is equal to one U.S. gallon of distillate special fuel (diesel).

The amendments to Arkansas law would be effective July 1, 2013.

Revenue Impact :

FY2014	Tax Reduction of \$5,000	(5¢ per gallon tax rate)
FY2015	Tax Increase of \$7,000	(8¢ per gallon tax rate)
FY2016	Tax Increase of \$19,000	(11¢ per gallon tax rate)
FY2017	Tax Increase of \$43,000	(17¢ per gallon tax rate)
FY2018	Tax Increase of \$51,000	(21.5¢ per gallon tax rate)

[Based on current consumption levels of compressed natural Gas (CNG) of approximately 500,000 gallon equivalents per year at one gallon = 100 c.f. Under the proposal of one gallon = 125 c.f., current consumption level would equal 400,000 gallon equivalents.]

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Taxpayer Impact :

Licensed suppliers will be responsible for collecting the tax on CNG and LNG and updating the tax rate beginning in July 1, 2014 and for each following year until July 1, 2017. They will also need to change the measurement equivalent per gallon beginning July 1, 2013, from one hundred cubic feet to one hundred twenty-five cubic feet for CNG.

Resources Required :

None

Time Required :

Adequate time is provided for implementation.

Procedural Changes :

Changes will need to be made to the compressed natural gas forms online for the Arkansas Integrated Revenue System (AIRS) software used by the Motor Fuel Tax Section to process the returns. These changes will occur each year to reflect the updated tax rate. Starting July 1, 2013, a new tax type and form will also need to be added to the AIRS tax system.

Other Comments :

Liquefied natural gas (LNG) is not currently sold in Arkansas but is anticipated to be sold for interstate trucking in the near future.

Legal Analysis :

The 3-14-13 engrossment of SB1075 amends Arkansas law concerning the imposition and administration of the tax on alternative fuels. The bill has an emergency clause making it effective on July 1, 2013.