

CHAPTER 1032

EXCISE TAX ON COMPRESSED OR LIQUEFIED NATURAL GAS USED AS SPECIAL FUEL

S.F. 2338

AN ACT concerning the excise tax on compressed natural gas and liquefied natural gas used as special fuel.

Be It Enacted by the General Assembly of the State of Iowa:

Section 1. Section 452A.2, Code 2014, is amended by adding the following new subsection:

NEW SUBSECTION. 20A. a. “Gallon”, with respect to compressed natural gas, means a gasoline gallon equivalent. A gasoline gallon equivalent of compressed natural gas is five and sixty-six hundredths pounds or one hundred twenty-six and sixty-seven hundredths cubic feet measured at a base temperature of 60 degrees Fahrenheit and a pressure of fourteen and seventy-three hundredths pounds per square inch absolute.

b. “Gallon”, with respect to liquefied natural gas, means a diesel gallon equivalent. A diesel gallon equivalent of liquefied natural gas is six and six hundredths pounds.

Sec. 2. Section 452A.2, subsections 24 and 25, Code 2014, are amended to read as follows:

24. “Licensed compressed natural gas, liquefied natural gas, and liquefied petroleum gas dealer” means a person in the business of handling untaxed compressed natural gas, liquefied natural gas, or liquefied petroleum gas who delivers any part of the fuel into a fuel supply tank of any motor vehicle.

25. “Licensed compressed natural gas, liquefied natural gas, and liquefied petroleum gas user” means a person licensed by the department who dispenses compressed natural gas, liquefied natural gas, or liquefied petroleum gas, upon which the special fuel tax has not been previously paid, for highway use from fuel sources owned and controlled by the person into the fuel supply tank of a motor vehicle, or commercial vehicle owned or controlled by the person.

Sec. 3. Section 452A.3, subsection 4, Code 2014, is amended to read as follows:

4. For compressed natural gas used as a special fuel, the rate of tax ~~that is equivalent to the motor fuel tax shall be sixteen cents per hundred cubic feet adjusted to a base temperature of sixty degrees Fahrenheit and a pressure of fourteen and seventy-three hundredths pounds per square inch absolute~~ is twenty-one cents per gallon.

Sec. 4. Section 452A.3, Code 2014, is amended by adding the following new subsection:

NEW SUBSECTION. 4A. For liquefied natural gas used as a special fuel, the rate of tax is twenty-two and one-half cents per gallon.

Sec. 5. Section 452A.4, subsection 1, paragraph d, Code 2014, is amended to read as follows:

d. A dealer’s or user’s license shall be required for each separate place of business or location where compressed natural gas, liquefied natural gas, or liquefied petroleum gas is delivered or placed into the fuel supply tank of a motor vehicle.

Sec. 6. Section 452A.8, subsection 2, paragraph e, Code 2014, is amended to read as follows:

e. (1) For purposes of this paragraph “e”, “dealer” or “user” means a licensed compressed natural gas, liquefied natural gas, and liquefied petroleum gas dealer or user and “fuel” means compressed natural gas, liquefied natural gas, or liquefied petroleum gas.

(2) The tax for compressed natural gas, liquefied natural gas, and liquefied petroleum gas delivered by a licensed ~~compressed natural gas or liquefied petroleum gas~~ dealer for use in this state shall attach at the time of the delivery and shall be collected by the dealer from the consumer and paid to the department as provided in this chapter. The tax, with respect to compressed natural gas, liquefied natural gas, and liquefied petroleum gas acquired by

a consumer in any manner other than by delivery by a licensed ~~compressed natural gas or liquefied petroleum gas~~ dealer into a fuel supply tank of a motor vehicle, attaches at the time of the use of the fuel and shall be paid over to the department by the consumer as provided in this chapter.

~~(2)~~ (3) The department shall adopt rules governing the dispensing of compressed natural gas, liquefied natural gas, and liquefied petroleum gas by licensed dealers and licensed users. The director may require by rule that reports and returns be filed by electronic transmission. For purposes of this paragraph “~~e~~”, “~~dealer~~” and “~~user~~” mean a licensed ~~compressed natural gas or liquefied petroleum gas dealer or user~~ and “~~fuel~~” means ~~compressed natural gas or liquefied petroleum gas~~. The department shall require that all pumps located at dealer locations and user locations through which liquefied petroleum gas can be dispensed shall be metered, inspected, tested for accuracy, and sealed and licensed by the state department of agriculture and land stewardship, and that fuel delivered into the fuel supply tank of any motor vehicle shall be dispensed only through tested metered pumps and may be sold without temperature correction or corrected to a temperature of ~~sixty~~ 60 degrees. If the metered gallonage is to be temperature-corrected, only a temperature-compensated meter shall be used. Natural gas used as fuel shall be delivered into compressing equipment through sealed meters certified for accuracy by the department of agriculture and land stewardship.

~~(3)~~ (4) (a) All gallonage which is not for highway use, dispensed through metered pumps as licensed under this section on which fuel tax is not collected, must be substantiated by exemption certificates as provided by the department or by valid exemption certificates provided by the dealers, signed by the purchaser, and retained by the dealer. A “*valid exemption certificate provided by a dealer*” is an exemption certificate which is in the form prescribed by the director to assist a dealer to properly account for fuel dispensed for which tax is not collected and which is complete and correct according to the requirements of the director.

(b) For the privilege of purchasing liquefied petroleum gas, dispensed through licensed metered pumps, on a basis exempt from the tax, the purchaser shall sign exemption certificates for the gallonage claimed which is not for highway use.

(c) The department shall disallow all sales of gallonage which is not for highway use unless proof is established by the certificate. Exemption certificates shall be retained by the dealer for a period of three years.

~~(4)~~ (5) (a) For the purpose of determining the amount of liability for fuel tax, each dealer and each user shall file with the department not later than the last day of the month following the month in which this division becomes effective and not later than the last day of each calendar month thereafter a monthly tax return certified under penalties for false certification. The return shall show, with reference to each location at which fuel is delivered or placed by the dealer or user into a fuel supply tank of any motor vehicle during the next preceding calendar month, information as required by the department.

(b) The amount of tax due shall be computed by multiplying the appropriate tax rate per gallon by the number of gallons of fuel delivered or placed by the dealer or user into supply tanks of motor vehicles.

(c) The return shall be accompanied by remittance in the amount of the tax due for the month in which the fuel was placed into the supply tanks of motor vehicles.

Sec. 7. Section 452A.60, unnumbered paragraph 1, Code 2014, is amended to read as follows:

The department of revenue or the state department of transportation shall prescribe and furnish all forms, as applicable, upon which reports, returns, and applications shall be made and claims for refund presented under this chapter and may prescribe forms of record to be kept by suppliers, restrictive suppliers, importers, exporters, blenders, common carriers, contract carriers, licensed compressed natural gas, liquefied natural gas, and liquefied petroleum gas dealers and users, terminal operators, nonterminal storage facility operations, and interstate commercial motor vehicle operators.

Sec. 8. Section 452A.62, subsection 1, paragraph a, subparagraph (2), Code 2014, is amended to read as follows:

(2) A licensed compressed natural gas, liquefied natural gas, or liquefied petroleum gas dealer, user, or person supplying compressed natural gas or liquefied petroleum gas to a licensed compressed natural gas, liquefied natural gas, or liquefied petroleum gas dealer or user.

Sec. 9. Section 452A.62, subsection 1, paragraph b, Code 2014, is amended to read as follows:

b. To examine the records, books, papers, receipts, and invoices of any distributor, supplier, restrictive supplier, importer, blender, exporter, terminal operator, nonterminal storage facility, licensed compressed natural gas, liquefied natural gas, or liquefied petroleum gas dealer or user, or any other person who possesses fuel upon which the tax has not been paid to determine financial responsibility for the payment of the taxes imposed by this chapter.

Sec. 10. Section 452A.74, subsection 1, paragraphs e and g, Code 2014, are amended to read as follows:

e. For any person to act as a supplier, restrictive supplier, importer, exporter, blender, or compressed natural gas, liquefied natural gas, or liquefied petroleum gas dealer or user without the required license.

g. For any licensed compressed natural gas, liquefied natural gas, or liquefied petroleum gas dealer or user to dispense compressed natural gas, liquefied natural gas, or liquefied petroleum gas into the fuel supply tank of any motor vehicle without collecting the fuel tax.

Sec. 11. Section 452A.74, subsection 2, Code 2014, is amended to read as follows:

2. Any delivery of compressed natural gas, liquefied natural gas, or liquefied petroleum gas to a compressed natural gas, liquefied natural gas, or liquefied petroleum gas dealer or user for the purpose of evading the state tax on compressed natural gas, liquefied natural gas, or liquefied petroleum gas, into facilities other than those licensed above knowing that the fuel will be used for highway use shall constitute a violation of this section. Any compressed natural gas, liquefied natural gas, or liquefied petroleum gas dealer or user for purposes of evading the state tax on compressed natural gas, liquefied natural gas, or liquefied petroleum gas, who allows a distributor to place compressed natural gas, liquefied natural gas, or liquefied petroleum gas for highway use in facilities other than those licensed above, shall also be deemed in violation of this section.

Sec. 12. Section 452A.85, subsection 1, Code 2014, is amended to read as follows:

1. Persons having title to motor fuel, ethanol blended gasoline, undyed special fuel, compressed natural gas, liquefied natural gas, or liquefied petroleum gas in storage and held for sale on the effective date of an increase in the excise tax rate imposed on motor fuel, ethanol blended gasoline, undyed special fuel, compressed natural gas, liquefied natural gas, or liquefied petroleum gas under this chapter shall be subject to an inventory tax based upon the gallonage in storage as of the close of the business day preceding the effective date of the increased excise tax rate of motor fuel, ethanol blended gasoline, undyed special fuel, compressed natural gas, liquefied natural gas, or liquefied petroleum gas which will be subject to the increased excise tax rate.

Sec. 13. Section 452A.86, Code 2014, is amended to read as follows:

452A.86 Method of determining gallonage.

The exclusive method of determining gallonage of any purchases or sales of motor fuel, undyed special fuel, ~~compressed natural gas~~, or liquefied petroleum gas as defined in this chapter and distillate fuels shall be on a gross volume basis, except for compressed natural gas and liquefied natural gas. The exclusive method of determining gallonage of any purchases or sales of compressed natural gas is the gasoline gallon equivalent, as defined in section 452A.2, subsection 20A. The exclusive method of determining gallonage of any purchase or sale of liquefied natural gas is the diesel gallon equivalent, as defined in section 452A.2, subsection 20A. A temperature-adjusted or other method shall not be used, except as it

applies to liquefied petroleum gas and the sale or exchange of petroleum products between petroleum refiners. All invoices, bills of lading, or other records of sale or purchase and all returns or records required to be made, kept, and maintained by a supplier, restrictive supplier, importer, exporter, blender, or compressed natural gas, liquefied natural gas, or liquefied petroleum gas dealer or user shall be made, kept, and maintained on the gross volume basis. For purposes of this section, "*distillate fuels*" means any fuel oil, gas oil, topped crude oil, or other petroleum oils derived by refining or processing crude oil or unfinished oils which have a boiling range at atmospheric pressure which falls completely or in part between ~~five hundred fifty~~ 550 and ~~twelve hundred~~ 1,200 degrees Fahrenheit.

Approved March 26, 2014