

**House File 2441 - Introduced**

HOUSE FILE 2441

BY COMMITTEE ON WAYS AND MEANS

(SUCCESSOR TO HF 2149)

**A BILL FOR**

1 An Act concerning the excise tax on compressed natural gas and  
2 liquefied natural gas used as special fuel.  
3 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

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

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

10 *b. "Gallon", with respect to liquefied natural gas, means*  
11 *a diesel gallon equivalent. A diesel gallon equivalent of*  
12 *liquefied natural gas is six and six hundredths pounds.*

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

15 24. *"Licensed compressed natural gas, liquefied natural*  
16 *gas, and liquefied petroleum gas dealer" means a person in the*  
17 *business of handling untaxed compressed natural gas, liquefied*  
18 *natural gas, or liquefied petroleum gas who delivers any part*  
19 *of the fuel into a fuel supply tank of any motor vehicle.*

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

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

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

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

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

6     Sec. 5. Section 452A.4, subsection 1, paragraph d, Code  
7 2014, is amended to read as follows:

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

13     Sec. 6. Section 452A.8, subsection 2, paragraph e, Code  
14 2014, is amended to read as follows:

15     *e.* (1) For purposes of this paragraph "e", "dealer" or  
16 "user" means a licensed compressed natural gas, liquefied  
17 natural gas, and liquefied petroleum gas dealer or user and  
18 "fuel" means compressed natural gas, liquefied natural gas, or  
19 liquefied petroleum gas.

20     (2) The tax for compressed natural gas, liquefied natural  
21 gas, and liquefied petroleum gas delivered by a licensed  
22 ~~compressed natural gas or liquefied petroleum gas~~ dealer for  
23 use in this state shall attach at the time of the delivery and  
24 shall be collected by the dealer from the consumer and paid  
25 to the department as provided in this chapter. The tax, with  
26 respect to compressed natural gas, liquefied natural gas, and  
27 liquefied petroleum gas acquired by a consumer in any manner  
28 other than by delivery by a licensed ~~compressed natural gas~~  
29 ~~or liquefied petroleum gas~~ dealer into a fuel supply tank of  
30 a motor vehicle, attaches at the time of the use of the fuel  
31 and shall be paid over to the department by the consumer as  
32 provided in this chapter.

33     ~~(2)~~ (3) The department shall adopt rules governing the  
34 dispensing of compressed natural gas, liquefied natural gas,  
35 and liquefied petroleum gas by licensed dealers and licensed

1 users. The director may require by rule that reports and  
 2 returns be filed by electronic transmission. ~~For purposes~~  
 3 ~~of this paragraph "e", "dealer" and "user" mean a licensed~~  
 4 ~~compressed natural gas or liquefied petroleum gas dealer or~~  
 5 ~~user and "fuel" means compressed natural gas or liquefied~~  
 6 ~~petroleum gas.~~ The department shall require that all pumps  
 7 located at dealer locations and user locations through which  
 8 liquefied petroleum gas can be dispensed shall be metered,  
 9 inspected, tested for accuracy, and sealed and licensed by  
 10 the state department of agriculture and land stewardship, and  
 11 that fuel delivered into the fuel supply tank of any motor  
 12 vehicle shall be dispensed only through tested metered pumps  
 13 and may be sold without temperature correction or corrected to  
 14 a temperature of ~~sixty~~ 60 degrees. If the metered gallonage  
 15 is to be temperature-corrected, only a temperature-compensated  
 16 meter shall be used. Natural gas used as fuel shall be  
 17 delivered into compressing equipment through sealed meters  
 18 certified for accuracy by the department of agriculture and  
 19 land stewardship.

20 ~~(3)~~ (4) (a) All gallonage which is not for highway use,  
 21 dispensed through metered pumps as licensed under this section  
 22 on which fuel tax is not collected, must be substantiated by  
 23 exemption certificates as provided by the department or by  
 24 valid exemption certificates provided by the dealers, signed by  
 25 the purchaser, and retained by the dealer. A "*valid exemption*  
 26 *certificate provided by a dealer*" is an exemption certificate  
 27 which is in the form prescribed by the director to assist a  
 28 dealer to properly account for fuel dispensed for which tax is  
 29 not collected and which is complete and correct according to  
 30 the requirements of the director.

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

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

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

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

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

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

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

35 Sec. 8. Section 452A.62, subsection 1, paragraph a,

1 subparagraph (2), Code 2014, is amended to read as follows:

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

7 Sec. 9. Section 452A.62, subsection 1, paragraph b, Code  
8 2014, is amended to read as follows:

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

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

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

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

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

30 2. Any delivery of compressed natural gas, liquefied  
31 natural gas, or liquefied petroleum gas to a compressed natural  
32 gas, liquefied natural gas, or liquefied petroleum gas dealer  
33 or user for the purpose of evading the state tax on compressed  
34 natural gas, liquefied natural gas, or liquefied petroleum  
35 gas, into facilities other than those licensed above knowing

1 that the fuel will be used for highway use shall constitute  
2 a violation of this section. Any compressed natural gas,  
3 liquefied natural gas, or liquefied petroleum gas dealer or  
4 user for purposes of evading the state tax on compressed  
5 natural gas, liquefied natural gas, or liquefied petroleum  
6 gas, who allows a distributor to place compressed natural gas,  
7 liquefied natural gas, or liquefied petroleum gas for highway  
8 use in facilities other than those licensed above, shall also  
9 be deemed in violation of this section.

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

12 1. Persons having title to motor fuel, ethanol blended  
13 gasoline, undyed special fuel, compressed natural gas,  
14 liquefied natural gas, or liquefied petroleum gas in storage  
15 and held for sale on the effective date of an increase in  
16 the excise tax rate imposed on motor fuel, ethanol blended  
17 gasoline, undyed special fuel, compressed natural gas,  
18 liquefied natural gas, or liquefied petroleum gas under this  
19 chapter shall be subject to an inventory tax based upon the  
20 gallonage in storage as of the close of the business day  
21 preceding the effective date of the increased excise tax rate  
22 of motor fuel, ethanol blended gasoline, undyed special fuel,  
23 compressed natural gas, liquefied natural gas, or liquefied  
24 petroleum gas which will be subject to the increased excise tax  
25 rate.

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

28 **452A.86 Method of determining gallonage.**

29 The exclusive method of determining gallonage of any  
30 purchases or sales of motor fuel, undyed special fuel,  
31 ~~compressed natural gas~~, or liquefied petroleum gas as defined  
32 in this chapter and distillate fuels shall be on a gross volume  
33 basis, except for compressed natural gas and liquefied natural  
34 gas. The exclusive method of determining gallonage of any  
35 purchases or sales of compressed natural gas is the gasoline

1 gallon equivalent, as defined in section 452A.2, subsection  
2 20A. The exclusive method of determining gallonage of any  
3 purchase or sale of liquefied natural gas is the diesel gallon  
4 equivalent, as defined in section 452A.2, subsection 20A.  
5 A temperature-adjusted or other method shall not be used,  
6 except as it applies to liquefied petroleum gas and the sale  
7 or exchange of petroleum products between petroleum refiners.  
8 All invoices, bills of lading, or other records of sale or  
9 purchase and all returns or records required to be made, kept,  
10 and maintained by a supplier, restrictive supplier, importer,  
11 exporter, blender, or compressed natural gas, liquefied natural  
12 gas, or liquefied petroleum gas dealer or user shall be made,  
13 kept, and maintained on the gross volume basis. For purposes  
14 of this section, "*distillate fuels*" means any fuel oil, gas oil,  
15 topped crude oil, or other petroleum oils derived by refining  
16 or processing crude oil or unfinished oils which have a boiling  
17 range at atmospheric pressure which falls completely or in part  
18 between ~~five hundred fifty~~ 550 and ~~twelve hundred~~ 1,200 degrees  
19 Fahrenheit.

20 EXPLANATION

21 The inclusion of this explanation does not constitute agreement with  
22 the explanation's substance by the members of the general assembly.

23 This bill revises the method of calculating the excise tax  
24 on compressed natural gas (CNG) used as a special fuel and  
25 establishes an excise tax on liquefied natural gas (LNG) used  
26 as a special fuel.

27 For CNG, the rate of tax is 21 cents per gallon. The bill  
28 provides that the term "gallon", with respect to CNG, means a  
29 gasoline gallon equivalent, which is 5.66 hundredths pounds or  
30 126.67 cubic feet measured at a base temperature of 60 degrees  
31 Fahrenheit and a pressure of 14.73 pounds per square inch  
32 absolute. (Under current law, the rate of the tax is based on  
33 cubic feet rather than pounds: 16 cents per 100 cubic feet  
34 adjusted to a base temperature of 60 degrees Fahrenheit and a  
35 pressure of 14.73 pounds per square inch absolute.) The bill

1 provides that the exclusive method of determining gallonage of  
2 any purchase or sales of CNG is the gasoline gallon equivalent.

3 For LNG, the rate of tax is 22.5 cents per gallon, and the  
4 term "gallon", with respect to LNG, means a diesel gallon  
5 equivalent, which is 6.06 pounds of LNG. The bill provides  
6 that the exclusive method of determining gallonage of any  
7 purchase or sales of LNG is the diesel gallon equivalent.

8 The bill makes conforming changes to various Code sections  
9 to include LNG in current provisions relating to the collection  
10 of the excise tax on special fuel.