

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 1997

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SENATE BILL 1349*

Short Title: Clean Burning Fuel Rate.

(Public)

Sponsors: Senator Kerr.

Referred to: Finance.

May 27, 1998

1 A BILL TO BE ENTITLED
2 AN ACT TO PROVIDE MOTOR FUEL TAX EQUITY TO FACILITATE THE USE
3 OF CLEAN BURNING FUELS.

Whereas, incentives to use clean burning fuels such as motor vehicle fuels enable our communities, our State, and the United States to achieve their goals of energy security, fuel diversity, air quality, and economic opportunity; and

Whereas, currently propane when used as an alternative motor fuel is taxed unfairly at the same special fuel tax rate per gallon as gasoline even though its BTU equivalency rate is .732% of gasoline; and

Whereas, the establishment of State BTU tax parity for propane in conjunction with existing federal BTU tax parity will enhance the continued use of propane alternative fuel vehicles (AFVs) as well as increase applications by private fleets; and

Whereas, as of 1996 North Carolina utilized an estimated 7,939 alternative fuel vehicles and 98.2% were fueled by propane which furthered applications by municipalities in order for the State to meet existing federal Energy Policy Act and clean cities guidelines for motor fuel replacements to improve air quality; Now, therefore,

4 The General Assembly of North Carolina enacts:

5 Section 1. G.S. 105-449.130 reads as rewritten:

6 "§ 105-449.130. Definitions.

7 The following definitions apply in this Article:

- 1 (1) Alternative fuel. – A combustible gas or liquid that can be used to
2 generate power to operate a highway vehicle and that is not subject to
3 tax under Article 36C of this Chapter.
- 4 (1a) Bulk-end user. – A person who maintains storage facilities for
5 alternative fuel and uses part or all of the stored fuel to operate a
6 highway vehicle.
- 7 (1b) Clean burning fuel. – An alternative fuel in the form of a natural gas,
8 compressed natural gas, liquefied natural gas, or liquefied petroleum
9 gas, or any liquid at least eighty-five percent (85%) of which consists of
10 methanol.
- 11 (1c) Equivalent energy rate. – The motor fuel rate calculated not as a per-
12 gallon rate but as the rate per British thermal unit (BTU) generated by
13 motor fuel.
- 14 (2) Highway. – Defined in G.S. 20-4.01(13).
- 15 (3) Highway vehicle. – Defined in G.S. 105-449.60.
- 16 (4) Motor fuel. – Defined in G.S. 105-449.60.
- 17 (5) Motor fuel rate. – Defined in G.S. 105-449.60.
- 18 (6) Provider of alternative fuel. – A person who does one or more of the
19 following:
- 20 a. Acquires alternative fuel for sale or delivery to a bulk-end user or
21 a retailer.
- 22 b. Maintains storage facilities for alternative fuel, part or all of
23 which the person uses or sells to someone other than a bulk-end
24 user or a retailer to operate a highway vehicle.
- 25 c. Sells alternative fuel and uses part of the fuel acquired for sale to
26 operate a highway vehicle by means of a fuel supply line from
27 the cargo tank of the vehicle to the engine of the vehicle.
- 28 d. Imports alternative fuel to this State, by a means other than the
29 usual tank or receptacle connected with the engine of a highway
30 vehicle, for use by that person to operate a highway vehicle.
- 31 (7) Retailer. – A person who maintains storage facilities for alternative fuel
32 and who sells the fuel at retail or dispenses the fuel at a retail location to
33 operate a highway vehicle."

34 Section 2. G.S. 105-449.136 reads as rewritten:

35 "**§ 105-449.136. Tax on alternative fuel.**

36 (a) A tax at the equivalent energy rate is imposed on clean burning fuel used to
37 operate a highway vehicle. The Secretary must calculate the applicable equivalent
38 energy rate for each clean burning fuel.

39 (b) A tax at the motor fuel rate is imposed on all other liquid alternative fuel used
40 to operate a highway vehicle by means of a vehicle supply tank that stores fuel only for
41 the purpose of supplying fuel to operate the vehicle. A tax at the equivalent of the motor
42 fuel rate is imposed on all other alternative fuel used to operate a highway vehicle. The
43 Secretary must determine the equivalent rate.

1 (c) The exemptions from the tax on motor fuel in G.S. 105-449.88(2), (3), and (4)
2 apply to the tax imposed by this section. The refunds for motor fuel tax allowed by Part
3 5 of Article 36C of this Chapter apply to the tax imposed by this section, except that the
4 refund allowed by G.S. 105-449.107(b) for certain vehicles that use power takeoffs does
5 not apply to a vehicle whose use of alternative fuel is taxed on the basis of miles driven.
6 The proceeds of the tax imposed by this section must be allocated in accordance with
7 G.S. 105-449.125."

8 Section 3. This act becomes effective January 1, 1999. The Secretary of
9 Revenue shall provide transitional measures to refund the part of tax paid at the higher
10 rate on fuel on hand as of January 1, 1999, and to adjust any applicable credits or refunds
11 to reflect the change to the new tax rate.