


Colorado Legislative Council Staff Fiscal Note
STATE
FISCAL IMPACT

Drafting Number: LLS 09-0549
Prime Sponsor(s): Sen. Schwartz
 Rep. Vigil

Date: February 12, 2009
Bill Status: Senate Transportation
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TITLE: CONCERNING BLENDING DIESEL FUELS AFTER WITHDRAWAL AT THE RACK.

| Fiscal Impact Summary | FY 2009-2010 | FY 2010-2011 |
|--|--------------|--------------|
| State Revenue | | |
| State Expenditures | | |
| Cash Funds | | |
| Highway Users Trust Fund* | \$44,280 | \$0 |
| FTE Position Change | 0.0 FTE | 0.0 FTE |
| Effective Date: 90 days after adjournment (August 4, 2009 if adjournment is May 6, 2009) unless a referendum petition is filed. | | |
| Appropriation Summary for FY 2009-2010: See State Appropriations section. | | |
| Local Government Impact: None. | | |

* *These costs are appropriated in the Long Bill to the Department of Revenue for computer programming costs associated with new legislation.*

Summary of Legislation

This bill permits dyed diesel fuel to be blended by a licensed distributor with biodiesel fuel after withdrawal at a terminal or refinery rack up to the maximum federally allowed blend and still retain its exemption from the state's special fuel's tax.

Background

Currently, the state exempts special fuels (including diesel, kerosene, liquified petroleum gas and natural gas) used in vehicles from the state fuel tax as long as the product is used for designated purposes, including on-farm agricultural vehicles and highway construction projects. In order to mark it as tax exempt, the fuel is blended with red dye.

Over the past 6 years, biodiesel (diesel fuel that is produced from plant or animal wastes as apposed to petroleum products) production and sales has increased markedly in Colorado. Biodiesel is taxed at a rate of 20.5 cents per gallon. Table 1 presents estimates of gallons of biodiesel sold and associated excise tax collections based on information obtained from the Department of Revenue (DOR).

| Fiscal Year | Gallons | Tax Receipts |
|--------------------|------------------|---------------------|
| FY 2002-03 | 726 | \$148.83 |
| FY 2003-04 | 28,672 | \$5,877.76 |
| FY 2004-05 | 581,656 | \$119,239.48 |
| FY 2005-06 | 2,638,398 | \$540,871.59 |
| FY 2006-07 | 3,863,935 | \$792,106.68 |
| FY 2007-08 | 3,542,350 | \$726,181.75 |
| TOTAL | 4,124,732 | \$845,570.06 |

It should be noted that through October 2008, however, biodiesel sales were only 44 percent of what they had been in 2007. This accounts for the slight decline seen between FY 2006-07 and FY 2007-08. Currently, some biodiesel is being blended with dyed diesel, though it is impossible to know how much as dyed diesel sales are not tracked by the DOR because they are tax exempt.

State Expenditures

Department of Revenue -- Personal Services. Currently, it takes about 80 hours per month for department personnel to verify the receipts and disbursements reported by roughly 300 fuel distributors of clear petroleum diesel. Because dyed diesel is not taxed, similar verification is not currently undertaken. Because this bill allows the blending of a taxable (biodiesel) and a non-taxable (dyed diesel) fuel, the department will now have to verify receipts and disbursements of the fuels in such blends. However, the existing verification structure combined with the small number of biodiesel producers operating in Colorado (3) will allow this verification to be accomplished within existing budgetary resources.

Department of Revenue -- Computer Programming. The department will have to modify its computerized fuel tracking system to track the dyed fuel transactions to ensure the amount reported purchased by blenders can be verified. It is anticipated that it will take 369 hours to program this change, at a contract rate of \$120 per hour, for a total of \$44,280. These costs are covered with monies from the Highway Users Trust Fund, but because the department receives ongoing appropriations through the Long Bill, no separate appropriation is required for this bill.

Departments Contacted

Revenue