


 Colorado Legislative Council Staff Fiscal Note
STATE
FISCAL IMPACT

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| Drafting Number: LLS 12-0315 | Date: February 20, 2012 |
| Prime Sponsor(s): Rep. Fischer Sen. Williams S. | Bill Status: House Agriculture |
| | Fiscal Analyst: Harry Zeid (303-866-4753) |

TITLE: CONCERNING SPECIAL FUEL.

| Fiscal Impact Summary | FY 2012-2013 | FY 2013-2014 | FY 2014-2015 |
|--|--------------|--------------|-------------------|
| State Revenue | | | |
| Cash Funds | | | |
| Highway Users Tax Fund | | \$81,745 | \$163,490 |
| LPG and NG Inspection Fund* - reduction | | (32,992) | (65,983) |
| State Expenditures | | | |
| <i>Department of Labor & Employment:</i> | | | |
| LPG and NG Inspection Fund* | | \$96,301 | up to \$443,615** |
| <i>Department of Revenue:</i> | | | |
| General Fund | | 30,868 | (1,620) |
| Highway Users Tax Fund | | 20,900 | |
| FTE Position Change | | 0.8 FTE | up to 5.0 FTE |
| Effective Date: January 1, 2014, assuming no referendum petition is filed. | | | |
| Appropriation Summary for FY 2012-2013: See the State Appropriations section. | | | |
| Local Government Impact: None. | | | |

* Liquefied Petroleum Gas and Natural Gas Inspection Fund

** See the State Expenditures section for further information.

Summary of Legislation

The bill modifies the collection of special fuel taxes by the Department of Revenue and makes changes to the regulation of fuel products by the Division of Oil and Public Safety in the Department of Labor and Employment.

Special Fuel Taxes. The bill modifies the definition of "special fuel" to include electricity used to propel a motor vehicle on a highway, for purposes of the tax on special fuel. The definition of "distributor" is expanded to include certain individuals who sell or use natural gas and electricity, but the definition excludes a person who sells to a home user.

The bill repeals the annual license tax fee that is charged in lieu of the special fuel tax and the related decal system, so that liquefied petroleum gas (LPG) and natural gas (NG) will become subject to the special fuel tax, effective January 1, 2014. A person who is not a licensed distributor

is required to pay the special fuel tax, based on a metered reading, and file a return related to liquefied petroleum gas, natural gas, or electricity if the tax has not been paid by a distributor. This requirement will apply to individuals who receive the special fuel in their home.

Regulation of Fuel Products by the Division of Oil and Public Safety. The bill adds the regulation of fuel products (other than liquids) to the duties of the division director. Natural gas is added to the definition of fuel products, which makes natural gas subject to inspection by the division. Liquefied natural gas and compressed natural gas must comply with certain national standards, and individuals who ship natural gas into the state must notify the division director.

Under the bill, natural gas will be subject to the same environmental response surcharge as LPG. The bill changes the name of the Liquefied Petroleum Gas Inspection Fund to the Liquefied Petroleum Gas and Natural Gas Inspection Fund. The fee on natural gas, not to exceed \$10 per 1,000 gallons or the gallon gasoline equivalent, will be credited to the fund, and may be used for inspections related to natural gas.

State Revenue

On net balance, the bill will increase cash funds revenue administered by the Department of Revenue by \$48,753 in FY 2013-14, and by \$97,507 in FY 2014-15. HUTF revenue will increase by \$81,745 and \$163,490 in FY 2013-14 and FY 2014-15, respectively. The Liquefied Petroleum Gas and Natural Gas Inspection Fund will experience a revenue reduction of \$32,992 in FY 2013-14, and a reduction of \$65,983 in FY 2014-15.

Under current law, owners and operators of motor vehicles powered by LPG or natural gas pay an annual license fee per vehicle in lieu of remitting excise tax per gallon. Once the license fee is received, the Department of Revenue issues a special fuel decal to be displayed on the windshield of the vehicle. This allows the owner/operator of the vehicle to purchase LPG or natural gas from distributors. The bill eliminates the special fuel decals, and requires distributors to remit excise tax on a per gallon basis.

The annual decal fee for owners of vehicles that use LPG or natural gas is \$70, \$100, or \$125 depending on the weight of the vehicle. In lieu of the decal fee, vehicles that use LPG and natural gas would pay the state excise fuel tax at the rate of 20.5 cents per gallon. In FY 2010-11, about 925,200 gallons of taxable natural gas and about 359,500 gallons of LPG for motor vehicles were sold in Colorado.

Under current law, distributors of LPG pay a \$10 inspection fee per tank truckload regardless of the number of gallons in the tank. The bill changes the fee to \$10 per 1,000 gallons. In FY 2010-11, \$149,665 was collected from the LPG inspection fee. The inspection fee in the bill is projected to generate \$63,800 annually in fee revenue.

About 1,989,000 in gross compressed natural gas gallons were sold in Colorado in FY 2010-11. New fee revenue from natural gas distributors is projected to be about \$19,900 per year. Compressed natural gas distributors do not currently pay an inspection fee.

Owners of motor vehicles using electricity will pay excise tax under the bill. About 1,200 all-electric vehicles are currently registered in the state. The number of all-electric vehicles in Colorado beginning in 2014 may be significantly higher. The excise tax collected from vehicles using only electricity has not been estimated as part of this fiscal analysis.

Department of Labor and Employment. The bill authorizes a fee on natural gas, not to exceed \$10 per 1,000 gallons to be credited to the Liquefied Petroleum Gas and Natural Gas Inspection Fund. Revenue derived from this source has not been estimated at this time since the number of vehicles that will run on natural gas and the number of gallons to be sold annually cannot be estimated.

State Expenditures

Department of Labor and Employment. The Division of Oil and Public Safety will require additional FTE and related expenses to implement the bill. Actual expenditures will depend on the number of vehicles in Colorado that utilize the special fuels described in the bill, as well as the number of sites that will need to be inspected by the division.

It is assumed that an adequate revenue source will be available to offset the division's expenses. For purposes of this fiscal note, the division will require \$96,301 Cash Funds and 0.8 FTE in FY 2013-14 (one-half year), and a range of state expenditures between \$103,902 and 1.5 FTE, and \$443,615 and 5.0 FTE beginning in FY 2014-15. Expenditures will be for between 1.0 FTE and 4.0 FTE inspectors to conduct field inspections, monitor reports and be familiar with technical issues. In addition, between 0.5 FTE and 1.0 FTE administrative assistant will be necessary to support administrative office functions. These moneys will be appropriated from the Liquefied Petroleum Gas and Natural Gas Inspection Fund.

Centrally appropriated costs will be identified in a revised fiscal note once the number of FTE required of the bill in FY 2013-14 and FY 2014-15 have been finalized.

Department of Revenue. The Department of Revenue requires a total of \$51,768 (\$30,868 General Fund and \$20,900 HUTF) in FY 2013-14 to implement the bill. Of the General Fund portion, \$29,600 is necessary to support computer programming changes within the GenTax group and the remainder is for minor personal services and operating expenses adjustments in the Taxation Business Group. A reduction in General Fund expenditures of \$1,620 related to the annual purchase of decals represents an on-going annual savings. The department requires \$29,600 HUTF in FY 2013-14 to complete computer programming requirements for the Fuel Tracking System.

State Appropriations

No appropriation is required in FY 2012-13.

Departments Contacted

Revenue Labor and Employment