



Oregon

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TO Joint Committee on Tax Credits
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SUBJECT House Bill 2196A

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INTRODUCTION

The Oregon Department of Transportation (ODOT) recognizes the importance of using biofuels. The department uses biodiesel blended with used cooking oil and other feedstock in its fleet. In 2010, ODOT met Oregon's Renewable Energy Action Plan (REAP) mandate for biodiesel use. The mandate required 25 percent of the diesel used by ODOT's fleet vehicles be biodiesel blended at 20 percent (B-20) or above with a qualified feedstock. The department continues to work towards its long term goal of using B-20 to fuel all of its diesel fleet by 2025.

WHAT THE BILL DOES

House Bill 2196A exempts diesel fuel blends that have at least 20 percent biodiesel (B20) derived from used cooking oil from paying the state fuel tax (\$0.30 per gallon) when the fuel is used in vehicles with a gross vehicle weight (GVW) of 10,000 pounds or less. These fuel blends would be exempt from January 1, 2012 to January 2, 2018.

BACKGROUND

Oregon has set multiple different taxation points for fuel. Motor vehicle fuels, such as gasoline and gasoline blends, such as E-85, are taxed at first distribution (at the wholesale level). The seller pays the tax and it is passed through to the consumers. The fuel sellers and users do not have to track or report to ODOT on sales of the product.

Diesel, propane, biodiesel and compressed natural gas, all of which are called "use fuels," are taxed when they are placed into the fuel tank of a vehicle that will be used on roads. Tax compliance for "use fuels" is complex because of the multiple users, such as farmers or weight mile taxpayers. This means sellers and users of diesel have to track much more data on the sale and use of the product than sellers and users of gasoline.

ODOT'S ROLE IN IMPLEMENTATION

Two reasons make exempting a specific blend of biodiesel administratively complex; taxpayers self report information to the department and the biofuels industry does not currently track or report to the department on the specific feedstock used in a diesel blend.

Today, approximately 1800 licensed use fuel users or sellers track a variety of information about fuel products; however, they do not track what feedstock was used in a diesel blend. This information is essential for distinguishing whether the fuel is tax exempt under this measure.

Typically bills of lading do not list the feedstock for the biodiesel used in the product that is delivered. For example, if a seller gets a delivery of B20, it is comprised of 80% diesel and 20% biodiesel, which may be made from a number of different feedstock. Usually, the bills of lading simply note that it is made with “qualified feedstock.”

Second, there is a statutory presumption that fuel is used on the road and therefore taxable. Other exempt uses require verification of non-taxable usage. The Oregon Department of Transportation (ODOT) relies on use fuel users and sellers to self report their tax information. Because of the volume and the taxation point for diesel, today it is challenging to ensure that the sellers and users are reporting accurately.

SUMMARY

A key part of the Oregon Department of Transportation (ODOT)’s sustainability initiatives is use of biofuels in its fleet and the department recognizes the importance of biofuels. House Bill 2196A would exempt certain biofuels from taxation. Ensuring a diesel blend meets the exemption standard would be complex because of the lack of information about feedstock use and the challenges of ensuring the accuracy of taxpayers self reported information.

Attachments: Fuels Taxation Points in Oregon

Fuels Taxation Points

