



# Oregon

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**DATE:** February 8, 2017

**TO:** House Committee on Transportation Policy

**FROM:** Maureen Bock  
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**SUBJECT:** House Bill 2289 – ORS Chapter 319 Housekeeping

## INTRODUCTION

House Bill 2289 updates three areas of Oregon motor vehicle fuel and aircraft fuel tax statutes. First, the bill changes use fuel user licensing requirements. Second, the bill updates and further defines conversion rates of alternative fuels. Third, the bill updates the definition of a motor vehicle eligible to participate in the road usage charge program, OReGO.

## DISCUSSION

Oregon statute divides motor fuels into two categories. The first category is motor vehicle fuel, which includes aircraft fuels, and the second category is use fuels.

For motor vehicle fuel and aircraft fuels, such as gasoline, gasoline blends, aviation gasoline, and jet fuel, taxes are paid by licensed motor vehicle fuel dealers at first sale, or the distributor level in the fuel supply chain. This means that by the time the fuel is purchased at a retail location, the tax has already been paid to ODOT.

For use fuels, which are fuels such as diesel, biodiesel, natural gas, and propane, the taxes are paid when the fuel is placed into the fuel tank of a motor vehicle, either by a licensed use fuel seller or a licensed use fuel user. This means the retail station operator is responsible to collect the tax and remit it to ODOT, unless the customer is a licensed use fuel user and has a valid permit or emblem issued by ODOT. Customers that use these fuels are required to be licensed, with few exceptions, have a valid permit or emblem, and self-report and pay their taxes to ODOT. A user's license is not required for a person who uses fuel in a motor vehicle with a combined weight of 26,000 pounds or less if, for all fuel used in a motor vehicle in this state, the person pays fuel tax at the time of the sale. However, currently a user's license is required for an owner of a vehicle with a combined weight of 26,001 pounds or more, that is not subject to the weight-mile tax (such as farmers and not for hire carriers), even if the fuel taxes are paid at the time of purchase. If a person is paying tax at the time of the fuel sale, there is no reason to be licensed with ODOT regardless of the vehicle weight.

The first provision of the bill extends the current exceptions to user license requirements to all motor vehicles, regardless of weight. This change will remove an unnecessary record-keeping and reporting burden on individuals and businesses that paid the fuels tax at the time of sale. For example, farmers may pay the state fuel tax on diesel used in a heavy vehicle that is exempt from

weight-mile at the time of fuel purchase. This change would allow them to be exempt from maintaining a use fuel user license and filing a multi-page tax report when no fuel tax is due. Extending the exemptions will also reduce the administrative burden to ODOT, as the department is currently required to license these users. Additionally, Oregon statute currently requires use fuel sellers to provide an invoice to each fuel purchaser, if their vehicle weighs 26,001 pounds or more, whether or not the tax has been paid. This provision will also eliminate the invoice requirement if the fuel purchaser pays the tax due at the time of the sale.

The second provision of the bill changes conversion factors defined in Oregon statute for use when converting alternative fuels to gallon equivalent for tax purposes to align with national and international standards and definitions. The provision updates the conversion factor for compressed natural gas (CNG), and adds a conversion factor for liquefied natural gas (LNG).

ODOT has received tax reports for a little over 1,000 gallons of LNG used in a taxable manner since July 2015. While the current definition of use fuel in Oregon statute requires fuels tax to be paid on any taxable use of LNG, an LNG conversion factor is currently not defined in Oregon statute. Adding a definition of the conversion factor of LNG in statute allows predictable and consistent application of the fuels tax. Updating the definition of CNG and defining LNG makes gallon conversions for these fuels consistent among states and make it easier for licensees that operate in multiple states to file tax returns.

The third provision of the bill updates the definition of a motor vehicle eligible to participate in the road usage charge program, a voluntary program for passenger vehicles created by Senate Bill 810 in 2013. Participants pay the state fuels tax or the road usage charge (RUC) but not both. The fuels tax paid at the pump is treated as a prepayment of the RUC, and the state fuel tax credit is applied as the fuel is used to drive taxable miles. Persons and vehicles eligible to apply for participation in Oregon's road usage charge program, which is called OReGO, are defined in Oregon statute.

Currently Oregon statute determines vehicle weight for the purpose of per-mile road usage charging by the gross vehicle weight rating (GVWR) of the vehicle. Only vehicles with a GVWR of 10,000 pounds or less are eligible to participate in the road usage charge program. GVWR is at times difficult to determine because it is not always published. Moreover, there are different weight classes for vehicles: 1) registration weight or curb weight, which is the unloaded weight, 2) axle weight, which is the maximum distributed weight that may be supported by an axle, 3) loaded weight, which is the weight of a vehicle with maximum passengers and baggage, and 4) loaded weight with trailing vehicle, which is the loaded weight plus the pulling capacity of the vehicle.

This bill would determine vehicle eligibility by vehicle type as defined by the ODOT's Driver and Motor Vehicle Services Division (DMV). Using ODOT DMV definitions for "passenger vehicle" as a way to determine whether vehicles are eligible for the program is more accurate. This is because Oregon's definition of "passenger vehicle" is that the registration weight is 10,000 pounds or less. A passenger vehicle is automatically classified in the DMV Database as Vehicle Type 1, making it significantly easier for the program to verify eligibility. Making this consistent with other processes and definitions is more efficient for administering the program and easier for volunteers.

## **SUMMARY**

House Bill 2289 updates three areas of ORS chapter 319.

- The bill eliminates unnecessary record keeping and tax reporting for certain use fuel users and reduces the administrative burden on ODOT relating to use fuel users.
- The bill makes Oregon statute relating to gallon conversion of alternative fuels consistent with other states and agencies and simplifies tax reporting for licensees that do business in multiple states.
- The bill makes definitions for road usage program eligibility consistent with other processes and definitions used in Oregon creating efficiencies in the program.

Attachments: Exhibit 1.

Exhibit 1.  
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**Table 1.** Vehicle weight classes defined by Federal Highway Administration and used throughout the industry.

Gross Vehicle Weight Rating (lbs)	Federal Highway Administration	
	Vehicle Class	GVWR Category
<6,000	Class 1: <6,000 lbs	Light Duty <10,000 lbs
10,000	Class 2: 6,001 – 10,000 lbs	
14,000	Class 3: 10,001 – 14,000 lbs	Medium Duty 10,001 – 26,000 lbs
16,000	Class 4: 14,001 – 16,000 lbs	
19,500	Class 5: 16,001 – 19,500 lbs	
26,000	Class 6: 19,501 – 26,000 lbs	
33,000	Class 7: 26,001 – 33,000 lbs	Heavy Duty >26,001 lbs
>33,000	Class 8: >33,001 lbs	



**Figure 1.** Fuels for passenger vehicles include gasoline, gasoline blends, diesel, bio-diesel, and compressed natural gas (CNG). Fuel taxes are due on fuel used in these vehicles.



**Figure 2.** Fuels for medium duty vehicles include diesel, bio-diesel, compressed natural gas (CNG), and propane. Fuel taxes are due on fuel used in these vehicles.



**Figure 3.** Fuels for heavy vehicles include diesel, bio-diesel, compressed natural gas (CNG), and Liquid Natural Gas (LNG). Fuel taxes are not paid on fuels used in these vehicles if the truck is subject to weight-mile tax.





Figure 4. An example of purchasing compressed natural gas at the pump.



Figure 5. An example of the compressed natural gas conversion factor for gallon equivalent at the pump.