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REP. GIULIANO (23rd):

Thank you, Mr. Speaker. Mr. Speaker and my colleagues would see like to draw your attention to Christian Spencer who is with us in the well of the House. Christian will be graduating next week from Southern Connecticut State University. He will be receiving a B.S. in Political Science.

This past fall Christian was an intern in the fall of 2013 with the House Republican Communications Office, and this upcoming fall he will be a graduate student at Carnegie Mellon University in Public Policy and Management. I would ask my colleagues to please give Christian a warm General Assembly welcome. Thank you, Mr. Speaker.

DEPUTY SPEAKER BERGER:

Congratulations, sir, and good luck in your life's pursuit, sir. If we could return to the call of the Calendar, would the Clerk please call House Calendar Number 435.

THE CLERK:

On page 21, House Calendar 435, favorable report of the joint standing committee On Finance, Revenue, and Bonding. House Bill 5466, AN ACT CONCERNING DEPARTMENT OF REVENUE SERVICES PROCEDURES FOR BACKGROUND CHECKS ON JOB

APPLICANTS AND TAXATION OF COMPRESSED NATURAL GAS UNDER THE MOTOR VEHICLE FUELS TAX.

DEPUTY SPEAKER BERGER:

Thank you, sir. The esteemed chair -- House chair of the Finance, Revenue, and Bonding Committee.

Representative Widlitz, you have the floor.

REP. WIDLITZ (98th):

Thank you, Mr. Speaker, good afternoon you to.

DEPUTY SPEAKER BERGER:

Good afternoon, madam.

REP. WIDLITZ (98th):

Mr. Speaker, I move acceptance of the joint committee's favorable report and passage of the bill.

DEPUTY SPEAKER BERGER:

Motion before the Chamber, subject to the joint committee's favorable report and passage of the bill. Please proceed, madam.

REP. WIDLITZ (98th):

Yes, thank you Mr. Speaker. Mr. Speaker, I have a strike-all -- the Clerk has a strike-all amendment, LCO Number 4784. Will he please call, and I be allowed to summarize?

DEPUTY SPEAKER BERGER:

Thank you, madam

Will the Clerk please call LCO Number 4748 to be signified as House Amendment "A."

THE CLERK:

LCO Number 4784 designated House "A," and offered by Representative Widlitz and Senator Fonfara.

DEPUTY SPEAKER BERGER:

The Representative seeks leave of the Chamber to summarize the amendment. Is there objection to summarization? Is there objection? Seeing none, please proceed with your summarization, madam.

REP. WIDLITZ (98th):

Thank you, Mr. Speaker. Mr. Speaker, this is a strike-all amendment that combines a few of the finance bills to move this process along a little bit in the House chamber this afternoon. The bills that are combined are, along with House Bill 5466, Senate Bill 390, Senate Bill 367, and Senate Bill 369. I move adoption, Mr. Speaker.

DEPUTY SPEAKER BERGER:

Motion before the Chamber is adoption of House "A." Adoption of House "A." Will you comment on House "A"? Will you comment on House "A"?

Representative Williams, sir, of the 68th.

REP. WILLIAMS (68th):

Thank you, Mr. Speaker from the 73rd, good afternoon to you.

DEPUTY SPEAKER BERGER:

Thank -- good afternoon, sir.

REP. WILLIAMS (68th):

If I may through you, a couple of questions to the proponent of the amendment.

DEPUTY SPEAKER BERGER:

Please proceed, sir.

REP. WILLIAMS (68th):

Thank you, Mr. Speaker. Probably just one question actually. As I understand it, this bill, the substitute language that's before us deals with a number of different issues that the Finance Committee passed. I think unanimously if not near unanimously on every occasion.

It has to do with the estate tax, eliminating the double taxation thereof. Public listings of the denied licenses, how we resolve the issue of removing people from the delinquent taxpayers list, the estate tax, and some other issues.

Through you to Representative Widlitz, is it fair to say that there have been no substantive or policy changes made to any of the bills that we are now combining into this strike-all amendment? Through you.

DEPUTY SPEAKER BERGER:

Representative Widlitz.

REP. WIDLITZ (98th):

Through you, Mr. Speaker, thank you to the ranking member for summarizing the bill for me. I thank you for that. And you are correct, these bills have all moved through the Finance Committee with bipartisan support. Through you, Mr. Speaker.

DEPUTY SPEAKER BERGER:

Representative Williams.

REP. WILLIAMS (68th):

Thank you, Mr. Speaker. I thank the Chairwoman of the Finance Committee for her answers. I see my good friend, Commissioner Sullivan was here to ensure that all of his bills got done and in one day, I think, and I would urge support for the amendment and for the underlying bill. Thank you.

DEPUTY SPEAKER BERGER:

Thank you, sir

Will you comment further on House "A"? Will you comment further on House "A"? If not I'll try your minds. All those in favor of House "A" signify by saying aye.

REPRESENTATIVES:

Aye.

DEPUTY SPEAKER BERGER:

Opposed? The ayes have it. Amendment passes

Will you comment further on the bill as amended? Will you comment further on the bill as amended? If not, will staff and guests please come to the well of the House, and members please take your seats. The machine will be open.

THE CLERK:

The House of Representatives is voting by roll. Members to the Chamber please. The House of Representatives is voting by roll. Members to the Chamber please.

DEPUTY SPEAKER BERGER:

Have all the members voted? Have all the members voted? If all members have voted, could you check the board to see if your vote has been properly cast. If all the members have voted, the machine will be locked and the Clerk will take the tally

Will the Clerk please announce the tally.

THE CLERK:

House Bill 5466 as amended by House "A."

Total number voting	148
Necessary for passage	75
Those voting Yea	148
Those voting Nay	0

Those absent and not voting 3

DEPUTY SPEAKER BERGER:

Bill as amended passes

Will the Clerk please call Calendar Number 401.

THE CLERK:

On page 21, Calendar Number 401, favorable report of the joint standing committee on Finance, Revenue, and Bonding. Substitute House Bill Number 5489, AN ACT CONCERNING THE INTEGRITY OF THE BUSINESS REGISTRY.

DEPUTY SPEAKER BERGER:

Representative Ritter, sir, of the 1st District.

REP. RITTER (1st):

Thank you, Mr. Speaker. I move acceptance of the joint committee's favorable report and passage of the bill.

DEPUTY SPEAKER BERGER:

Motion before the before the Chamber is acceptance of the joint committee's favorable report and passage of the bill

Will you comment further, sir.

REP. RITTER (1st):

Yes, thank you, Mr. Speaker. I believe the Clerk is in possession of an amendment, LCO Number 4829, and I ask that when the amendment is called I be granted leave of

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SENATOR LOONEY:

Madam President.

THE CHAIR:

Senator Looney.

SENATOR LOONEY:

Thank you, Madam President. One additional item to place on the Consent Calendar at this time. It's Calendar Page 25, Calendar 562, Substitute for House Bill Number 5466. I move to place that item on the Consent Calendar.

THE CHAIR:

So ordered, sir.

SENATOR LOONEY:

Thank you, Madam President. Now, Madam President, if the Clerk would list the items on the Consent Calendar so we might proceed to a vote.

THE CHAIR:

Mr. Clerk.

THE CLERK:

We have items from previously adopted Senate Agendas, House Bill 5525, Senate Bill 152, House Bill 5528, House Bill 5311.

On Calendar Page 5, Calendar 327, House Bill 5099.

Also on Page 5, Calendar 330, House Bill 5441.

On Page 6, Calendar 341, House Bill 5117.

Calendar 338, House Bill 5323.

Calendar 344, House Bill 5442.

Calendar 500, House Bill 5547.

On Page 18, Calendar 507, House Bill 5530.

On Page 19, Calendar 512, House Bill 5386.

Calendar 514, House Bill 5521.

Calendar 516, House Bill 5500.

Calendar 517, House Bill 5305.

On Page 20, Calendar 527, House Bill 5592.

Calendar 528, House Bill 5453.

On Page 21, Calendar 531, House Bill 5299.

Calendar 533, House Bill 5290.

On Page 22, Calendar 541, House Bill 5456.

Calendar 539, House Bill 5294.

On Page 24, Calendar 551, House Bill 5588.

Calendar 552, House Bill 5269.

On Page 25, Calendar 564, House Bill 5489.

Calendar 562, House Bill 5446. (HB5466)

On Page 26 --

THE CHAIR:

Hold on. Okay. Sorry. Please proceed.

THE CLERK:

On Page 26, Calendar 568, House Bill 5434.

Calendar 569, House Bill 5040.

Calendar 566, House Bill 5535.

SENATOR LOONEY:

If we might pause for just a moment to verify a couple of additional items.

Madam President, to verify an additional item, I believe it was placed on the Consent Calendar and Calendar Page 30, on Calendar Page 30, Calendar 592, Substitute for House Bill 5476.

THE CHAIR:

It is, sir.

SENATOR LOONEY:

It is on? Okay. Thank you. Thank you, Madam President. If the Clerk would now, finally, Agenda Number 4, Madam President, Agenda Number 4 one additional item ask for suspension to place up on Agenda Number 4 and that is, ask for suspension to place on the Consent Calendar an item from Agenda Number 4.

THE CHAIR:

Seeing no objection, so ordered, sir.

SENATOR LOONEY:

Thank you, Madam President, and that item is Substitute House Bill Number 5566 from Senate Agenda Number 4.

Thank you, Madam President. If the Clerk would now, if we might call for a vote on the Consent Calendar.

THE CHAIR:

Mr. Clerk. Will you please call for a Roll Call Vote on the Consent Calendar. The machine will be opened.

THE CLERK:

An immediate Roll Call has been ordered in the Senate.

An immediate Roll Call on Consent Calendar Number 2 has been ordered in the Senate.

THE CHAIR:

If all members have voted, all members have voted, the machine will be closed. Mr. Clerk will you please call the tally.

THE CLERK:

Consent Calendar Number 2.

Total number voting	36
Necessary for adoption	19
Those voting Yea	36
Those voting Nay	0
Those absent and not voting	0

THE CHAIR:

The Consent Calendar passes. Senator Looney.

SENATOR LOONEY:

Thank you, Madam President. Two additional items to take up before the, our final vote on the implementer. If we might stand for just, for just a moment.

The first item to mark Go is, Calendar, to remove from the Consent Calendar, Calendar Page 22, Calendar 536, House Bill 5546. If that item might be marked Go.

And one additional item, Madam President, and that was from Calendar, or rather from Agenda Number 4, ask for suspension to take it up for purposes of marking it Go, that is House Bill, Substitute for House Bill 5417. Thank you, Madam President.

THE CHAIR:

Seeing no objection, so ordered, sir.

SENATOR LOONEY:

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Frantz, and Representative Williams -- somewhere -- and members of the committee.

When the Secretary began, he said he was going to be brief and look forward to your questions; I'm actually going to drone on and then try to avoid your questions, if at all possible.

A VOICE: (Inaudible.)

COMMISSIONER KEVIN SULLIVAN: Thank you, Senator.

Thank you, Senator.

REP. WIDLITZ: Thank you for the warning.

COMMISSIONER KEVIN SULLIVAN: Before getting to the three bills that were requested and are on your hearing thanks to you today that were requested by the department, let me just take a moment to testify briefly on a couple of other proposals. One of which you heard Monday so please bear with me for just a second and it was 5465, the Aerospace Reinvestment Act. I just want to say -- because we did not testify at that hearing -- but from a tax department standpoint, this is an incredibly creative and effective way to handle what we've been trying to figure out for a very long time what to do with those stranded R&D credits so I commend it to your attention. If you have any doubt at any point about it, look at the return on investment that the State will be getting for the dollars that will be given to the companies, in this case, compared to the investment, as well as the jobs, as well as, frankly, the revenue that will flow to the state as a result of economic growth.

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And the other thing that I know you noted is that wonderful chart. There is not a community in this state, big or small, that will not, in field with what New York does, again, a fairness issue here for Connecticut taxpayers, a benefit for Connecticut taxpayers.

The second change may indeed seem quite technical, but I want to assure you that it is not. It is a significant tax change, both a fairness standpoint and an economic development standpoint for the State of Connecticut. For reasons that I cannot discern -- and even the best minds I have, like Lou Bucari, our general counsel, cannot discern. There is a point in time way back when when the Department decided to treat the income of C corporations and the distributed income of non-C corporations differently for purposes of apportionment, which is to say, what are the sourcing rules to what is going to be taxable in the state of Connecticut. There is no good reason to treat those entities differently, and in fairness they should abide by the very same rules. So we would extend the C corporation rules to the non -- to the pass-through entities. Our guess is at the very, very best this is going to be revenue -- very worse, rather -- this is going to be revenue neutral. OPM has asked us to assure that. And the fact that it's an important proposal is -- is evidenced by the support that the Connecticut business and industry is giving. It is one of their priorities for this session and is something we have worked on them -- and worked with them on as well.

Section 7 was added by LCO. It is a needed but technical change.

Then, let me turn to 5466. So 5466, for those of you who have not drifted off already, section 1 of this bill will allow the DRS the same access as other state agencies, for example, the Motor Vehicle Department, to federal, criminal history records, in this case for use in our employment screening. We discovered, in conversations with the state police that due with change in federal law, we were no longer able to access that information for the security screening of our potential employees. We needed the statute changed as Motor Vehicle has and a couple of other agencies in order to do that.

Section 2 is truly technical. It overturns a drafting error, a really, truly drafting error of last session and restores the intention that you had in -- in the applicability of the estate tax.

Section 3 is consistent with your efforts to focus on alternative fuels. What it will allow us to do is come up with a clear standard that will -- that we will use in cooperation and collaboration with the Department of Energy and Environmental Protection. We need to convert liquid propane gallons and motor -- and natural gas measures to a comparable basis so that they can be taxed under the motor vehicle fuel tax. They are taxed under there now, but we do not follow the federal rule. It would be fair to businesses, since they have to comply with a federal standard, in this case, that they comply with the very same standard in the state of Connecticut rather than Connecticut having a different standard than the federal government for how we make that conversion.

Last, Senate Bill 390, you passed legislation -- sorry -- you passed -- you took action last year to -- to authorize us to enter into a settlement of the last round of tobacco settlement arbitration. That actually turned out to be a brilliant move. Many states that authority now to discipline the -- the sales tax -- the sales tax deficients with weekly filing through the TSC -- our TSC, that will be a help as well.

SENATOR FONFARA: Thank you.

Thank you, Madam Chair.

REP. WIDLITZ: You're welcome.

Senator Frantz followed by Representative Williams.

SENATOR FRANTZ: Thank you, Madam Chair.

Good morning, Commissioner. That was some pretty interesting droning, and it raised a couple of questions for me. House Bill 5466, there -- and it relates back to existing statute with respect to estates, and there is a date thrown in there of January 1, 2013, and we're talking about decedents, a dying part to on or after January 2013.

My question is this: Is in Connecticut, when there is an open estate and there is a change in estate tax law while that the estate is open, does that affect the open estate?

COMMISSIONER KEVIN SULLIVAN: The treatment of estates is not fixed by when the estate is open but fixed by what the law is at the time of the -- at the time the law changed. So if a -- and historically as the estate has changed, estate and gift taxes, we have been able to and we have implied retroactively those changes.

SENATOR FRANTZ: I'm sorry. I missed the last part.

COMMISSIONER KEVIN SULLIVAN: -- retroactively those changes. So the law change goes back in time, you do not freeze by when you file.

SENATOR FRANTZ: You don't freeze by when you file, so a new law, with respect to a new estate tax or rate or whatever the case might be, is applicable to any open estate then?

COMMISSIONER KEVIN SULLIVAN: That is correct.

SENATOR FRANTZ: Do you know offhand how long the average estate takes to close?

COMMISSIONER KEVIN SULLIVAN: I do not, but I see a hand here, I'll share it, but I'm happy to try to -- I'm happy to try to -- (inaudible).

SENATOR FRANTZ: A lot of finger pointing going on out there.

COMMISSIONER KEVIN SULLIVAN: They've made a note and we'll get you the answer if we can --

SENATOR FRANTZ: Thank you.

COMMISSIONER KEVIN SULLIVAN: -- if we can discern it from our tax data, we probably will have to talk a little bit with the probate system to get that, as well.

SENATOR FRANTZ: Okay. Thank you, Commissioner.

The other subject is that of offshore source hedge fund income. You could possibly be sending some shockwaves down towards my district because we're widely recognized as one of the hedge fund centers of the world -- second biggest, depending on how you measure it. And what I want to do is explore for a minute exactly where you're trying to go with this. Are we talking about current income? Are we talking about unrealized income, realized income? Are we talking about, at the end of the day, capital gains, because there's a good mix, as you know, in the hedge fund return -- hedge fund returns? And so if you could address that and -- and tell the committee why you're -- you're directing this only at the hedge fund industry when there are lots of other forms of asset management out there?

COMMISSIONER KEVIN SULLIVAN: So let's start with the last -- the last question first and that is that this is the place where both our sense and, frankly, the federal sense is that the probability of -- of leakage is greatest, so we would go here first.

I don't think we're suggesting that by talking about hedge funds necessarily that we would not apply the same principles to any offshoring circumstance. So we're not intending to alarm any of you -- and besides, we are clearly -- would not think anyone would be alarmed to the extent that they're not doing it. So if they are appropriately paying their taxes, they have nothing to -- nothing to be alarmed about.

The challenge we have -- you asked what income, so here it is, obviously, the income tax that we are looking at and the sources that go -- all of the sources that go into that when an individual has taken a distribution as part of that hedge fund as their compensation -- as compensation as part of that hedge fund and they are a taxpayer here in the state of Connecticut. The transactions that are subject to it as this suggested here in Connecticut -- taken place in Connecticut, in terms of the investment transaction, they would, then, be the ones who would be paying it here in Connecticut.

And I think the other challenge we have -- and all states have, I'll just put that out there, and it's also true of transfer payments, so the same thing goes on state to state that goes on national to international. Revenue departments are not particularly well prepared yet to even think about these questions. You can appreciate, I know, because your experience informs you about some of this, that these tax entities tend to be fairly complex and so are the multinationals and so are the multistates. And what we're looking at is a future in which we are probably going to be called upon -- this is just an advertisement now, you gave me the excuse -- called upon to beef up our capacity as a state tax department to entertain proposals from internationals and multistates to approve methodologies upfront rather than in audit, to approve methodologies upfront so that we don't find ourselves chasing those and the companies don't find themselves chasing those in audit. So one of the things we were looking at is it won't be this year, we don't have the budget for it, but at some point in the future it is in the interest of these large multinationals and multistate entities that we give them some certainty, and that certainty requires a level of economic analysis that even the smartest people -- not pointing to me but to others -- even the smartest people in the Department of Revenue Services have not historically had the capacity for. Our goal, being, to give those businesses certainty upfront not find out after the fact.

SENATOR FRANTZ: Okay. And final question is for a limited partner who lives in a state other than Connecticut, has a high tax burden for current

-- current income, I assume you are talking about current income that you're going after a foreign source, is there an offset for that particular person's out of Connecticut residents -- that particular person's tax liability with respect to his or her place of residency if you're taxing at Connecticut --

COMMISSIONER KEVIN SULLIVAN: I'll turn to counsel.

SENATOR FRANTZ: -- rates?

COMMISSIONER KEVIN SULLIVAN: I'm not a ventriloquist. I don't have to do it that way. I'm happy to have you help me answer the question.

SENATOR FRANTZ: Good morning.

LOU BUCARI: This is Lou Bucari, the general counsel for the Department of Revenue Services.

If I understood the question, Senator, we would be talking about income; and the question you posed that was earned by a person who was either a resident or worked in Connecticut pre-2009. There was a federal law that changed in 2009 that closed what was perceived by the federal government as a loophole with regard to the taxation of this income. So the income that we're talking about taxing now is income that was earned prior to 2009. It's going to be reported to the federal government through 2017. And so the situation, as the Commissioner explained, is when you have an individual who, in my example, say it was a resident of Connecticut at the time he or she earned that income, but the way it worked is they deferred the income from the hedge fund -- and this is solely with regard to offshore foreign -- offshore hedge funds -- the federal government passed a law earlier that took care of domestic hedge funds, but we have a 2009 law that now put domestic and foreign on the same footing. And the federal government said that was not deferred income, you should not have deferred the income, in simple terms a person took the money from the hedge fund that he or she earned in that year and put it back into the fund and deferred payment of that income. The federal government said that should not have been deferred, you should have reported that as taxable income in the year you received it. And we're telling you, you have to do that. Recognizing there can be multiple years of which this occurred, we're going to let you report this income back to the federal government over period of time until 2017.

So, in the hypothetical -- and I apologize for the long-windedness and if you want me to stop please -- please, just let me know -- but when that person, now, say that individual, as I explained, might have been a Connecticut resident at the time he or she earned that money, say that person has moved, in recognition of the fact that they may have this significant tax consequence for federal purposes between now and 2017 -- it so happens that many of these folks may have moved to, say, states that have no -- no state income tax -- so they'll say, I'll report it federally and pay the tax, but I may be a Florida resident now, and I'll have no state income tax consequence to it because now I'm a Florida resident. What this legislation makes clear is that, no, no, if that was Connecticut's source income when you earned it in 2008, you have the obligation to report that to Connecticut.

And so what the Commissioner's point was about the opaqueness is that the way the federal government is opined at this point is that they tell you to report this income on the other income line of your federal return, which unless the states went through, you know, these are fairly sophisticated returns and pages, and pages, and pages of attachments and supplements, the states would never be able to find it. This is something with this legislation that I think is putting it out there to let people know, if you're in that situation, you either lived here or earned the income you were here, you had an obligation to report that to Connecticut as Connecticut's source income.

SENATOR FRANTZ: Okay, great. And just a very -- very briefly, that applies to general partners as well as limited partners?

LOU BUCARI: It would be -- it would be -- and the individual -- as the Commissioner pointed, it would be to the compensation that an individual earned. And so, ultimately, to your question, the flow through would come to the individual.

SENATOR FRANTZ: Okay. Thank you.

That's all I have. Thank you.

Thank you, Madam Chair.

REP. WIDLITZ: You're welcome. Representative Williams.

REP. WILLIAMS: I.e., one of those who haven't yet drifted off.

Thank you, Madam Chair --

front of you a while ago, for creating automatic escrow accounts. Right? And it's sort of interesting because the entire amount of the escrow account could be taken back by the -- by the -- by the taxpayer before it was ever paid to the state. So the fact that it went into a pot didn't mean it ever came out of the pot in the state of Connecticut.

We think that the turnaround of a week has two benefits. One, it has the benefit of collecting the taxes faster. It has the benefit of us figuring out who's truly in trouble and cracking down faster. And ultimately, we think people will want to get off that regime and back onto something else, and that will be -- that will be a major, major incentive for compliance.

REP. WILLIAMS: Great. And then just one question on 5466. I thought I heard you say that section 2, I believe, was -- or section 1 rather was being done due to a change in federal law. What is it that we are -- how are we going to do that at the state level -- how are we going to do this at the state level if the federal law changed prohibiting us from accessing this data? Did I misunderstand that? HB5466

COMMISSIONER KEVIN SULLIVAN: No, you did not. I --

REP. WILLIAMS: I might've been drifting off.

COMMISSIONER KEVIN SULLIVAN: -- was probably very unclear, so let me try it again.

The federal law has always been what it is. The Department of Public Safety, on reviewing it, determined that we were not one of the designated agencies, your designation, that was eligible to take advantage of this. So by passing this law, we will now be, like Motor Vehicle, a designated agency and able to do (inaudible) --

REP. WILLIAMS: So the State has the -- the ability, under federal law, to designate the agencies, but because of the change in federal law, you are not currently a designated agency?

COMMISSIONER KEVIN SULLIVAN: And we are not -- we are not listed -- actually, because of the change -- the change in the interpretation of federal law. The federal law had never been interpreted this way before. So, with this change of interpretation, Public Safety said we don't see you listed under the statute the way Motor Vehicle -- and I can't remember who else, a half dozen or so other agencies -- you need to be in that statute, once you're in that statute, we go back to business as it was, and we use that data to -- to do security clearances on our employees (inaudible) --

REP. WILLIAMS: Right.

COMMISSIONER KEVIN SULLIVAN: -- and I'm not -- good point. I don't want you to think we're not doing security clearances. It's just that we don't have access to this particular database, and it's a pretty important database.

REP. WILLIAMS: Got it. Thank you. Thank you, both.

COMMISSIONER KEVIN SULLIVAN: Can I just, Senator, say for a moment, Representative Berger, that $97 million, 57 of that is attributable to sales and use tax, the other 40 is conveyance, that was the total amount.

REP. BERGER: Thank you.

REP. WIDLITZ: Senator McLachlan.

SENATOR MCLACHLAN: Thank you, Madam Chair.

Thank you, Commissioner, Counselor, for being here today. In House Bill 5466, section 3, regarding motor -- motor vehicle fuel, the gaseous fuel, how is motor vehicle fuel that is in gaseous fuel currently taxed in comparison to the proposal?

COMMISSIONER KEVIN SULLIVAN: The issue here is actually one of -- and I'll let Lou answer that -- but the issue here, just to be clear, is what definition we are going to -- what process -- what standard, what rate, we are going to use to make the conversions that are necessary to have equivalent measurement of nonliquid products. Boy, that's a long answer. But that's the issue here. So we're going to say instead of coming up with one ourselves, we're going to use the one that all of these businesses are already required to use, with respect to the federal government.

In terms of rates?

LOU BUCARI: If it helps, Senator, there's a regulation that's currently on the Department's books that was passed in 1992, and the conversion rate -- there's no dispute that these -- that these items that you reference are subject to the Motor Vehicle Fuel Tax. In order to tax them at -- under that tax, there's a conversion factor that's applied that's set forth in the regulation. It's that -- it's that conversion factor -- the factor that is dated and is not in conformity with the federal standards that is -- that are employed. And so the proposal that's before you folks, would do that. It would change and overrule the outdated and outmoded conversion factor that's in regulation and bring the standard used to convert those items you described from now and going forward to consist in with the applicable federal standard.

COMMISSIONER KEVIN SULLIVAN: If you are already subject to the tax -- for those -- those fuels that are already subject to the tax. No expansion of the tax.

LOU BUCARI: Correct.

SENATOR MCLACHLAN: Thank you. And through you, Madam Chair, will this be a revenue gain, a revenue loss or revenue neutral?

COMMISSIONER KEVIN SULLIVAN: I think it is a -- I think we told OPM that it is a 400,000 -- 300,000 dollar revenue loss to the State of Connecticut.

SENATOR MCLACHLAN: To comply with federal --

COMMISSIONER KEVIN SULLIVAN: Yeah.

SENATOR MCLACHLAN: -- guidelines.

COMMISSIONER KEVIN SULLIVAN: We may be -- we actually think it's probably less than that so in the -- in the parlance of OFA, that would be -- what do we use -- what is OFA, "minimal" -- minimal, probably around -- I'm corrected, by the way, probably more like a 140 --

SENATOR MCLACHLAN: Thank you.

COMMISSIONER KEVIN SULLIVAN: -- thousand.

SENATOR MCLACHLAN: And through you, Madam Chair, one other question related to the Sales Tax Collection Initiatives report that you submitted last month to this committee. When I looked at it, it seems that the delinquencies have trended upwards in the latest reporting. Can you give us a -- a general idea of how many businesses are we talking about? I see a number in dollar value that you project in the 4-plus percent range of total collections, but how many businesses are affected, and are we seeing that they are primarily small businesses?

COMMISSIONER KEVIN SULLIVAN: They're almost never very large entities. So there's -- you can -- the degree of compliant -- noncompliant grows as one gets smaller and smaller on that scale. We -- it looks -- maybe 4,000 to 5,000 of businesses are, on average, in deficiency for sales and use tax purposes. Why does that happen? Some of it is an unfortunate reflection, again, of that economy out there. Businesses that may not have the best business plan on the face of the earth may find themselves suddenly borrowing their trust taxes in order to finance their business, not something you can do but, obviously, it happens. And in that case, it's one of the reasons why we would work with that particular business when they do come forward under this regime to first enter into a payment plan, not to -- not to make them pay up immediately, but to enter into a payment plan so that they not only become current but they do catch up with what they already owe us over time. And we've made much more use of payment plans with small businesses than ever before. Our principle being I'd rather have you be in business and paying me something, than out of business because you paid me everything.

SENATOR MCLACHLAN: Thank you.

And certainly the -- the payment plan I think is a good idea because you are correct, I believe, in saying there's a -- a better approach to stop someone from being shuttered than -- and keep them operating.

COMMISSIONER KEVIN SULLIVAN: Absolutely.

SENATOR MCLACHLAN: Without divulging your collection trade secret, when -- when someone hits the red flag, realistically, how much time are you able to give them to get back on track? Because, sort of, when we hear from constituents, on our end, and say, Well, we're struggling and we're trying to stay alive, but we can't seem to get out from under the tax liabilities -- and, you know, I understand the business plan, comment that you made, and all that --

COMMISSIONER KEVIN SULLIVAN: Which is a hard thing to share with somebody.

SENATOR MCLACHLAN: I understand that, as a former banker, I get that. But having said that is there a cookie-cutter approach to the window of how much time someone can try to get back on track, or is it case by case?

COMMISSIONER KEVIN SULLIVAN: I don't think it's cookie-cutter and -- and Lou can supplement.

It has much to do with how long -- whether this is a repeat and whether we're seeing you again, and again, and again in this situation, how much you owe goes to the duration and the reasonableness of what we would say each payment should be. But it is, nonetheless, as you suggest, usually turns out to be a viable option for the taxpayer to get out from under, get current and stay in business.

SENATOR MCLACHLAN: How long -- what's the longest (inaudible)?

LOU BUCARI: (Inaudible.)

COMMISSIONER KEVIN SULLIVAN: It -- it -- so you're answer I think probably best put is the last point you made it is, depends on the circumstances of the particular taxpayer.

There is no fixed rule as to how much is enough and how little is too little and how long is too long and how short is too short. The point is to try to come up with a plan that we believe and the taxpayer believes that they can (inaudible).

SENATOR MCLACHLAN: Thank you. And so you're saying about 5,000 businesses would be part of this new program you're proposing?

COMMISSIONER KEVIN SULLIVAN: That's our estimate at this time, yes.

SENATOR MCLACHLAN: Thank you. Thank you, gentlemen.

Thank you, Madam Chair.

REP. WIDLITZ: You're welcome.

Are there any other questions for the Commissioner?

Representative Berger.

MICHAEL MORRISSEY: Good afternoon, Representative Widlitz and Senator Fonfara and other distinguished members of your committee. I'm Mike Morrissey from Glastonbury, Connecticut. I also serve as state director to the National Propane Gas Association. Today I represent our local membership. I'm here to speak in support of 5466, in part, section 3 which addresses gaseous fuels.

In July of 2008, natural gas and propane, more commonly known as auto gas, lost its statutory exemption from Connecticut excise tax, and at that time for propane that meant a 36 percent penalty when -- when taxed. That penalty is arrived at when you take a look at the -- the BTU equivalence of gasoline and propane. In the case of gasoline, there's about 116,000 BTU per gallon compared to propane, which has got 84,950 BTU per gallon. If you do the arithmetic, propane shouldn't be taxed at 26 cents per gallon, it should be taxed at a -- just a little over 19 cents per gallon. We're not asking for any benefit other than that we be treated fairly when it comes to taxes.

Last week, UPS announced they will be purchasing 1,000 vehicles running on auto gas along with deploying 50 filling stations. More recent or -- last year, the City of Shelton and Torrington deployed a little over 100 vehicles running on auto gas. Clearly, auto gas is gaining traction, not only across the nation, but in our own state; and establishing a taxation parity is certainly a step in the right direction, especially when it comes to private fleet owners who are contemplating running on propane auto gas. That completes my testimony. I'd be happy to take any questions.

REP. WIDLITZ: Thank you very much for your testimony, and that, I think, answers some questions about the basis for the change and the way of taxation.

Are there any questions?

Okay. Thank you.

MICHAEL MORRISSEY: Thank you.

REP. WIDLITZ: Roger Senserrich, followed by Mary Roberts and Thomas Moran.

Good afternoon.

ROGER SENSERRICH: Good afternoon. Good afternoon Senator Fonfara, Representative Widlitz and members of the Finance Committee. My name is Roger -- my name is Roger Senserrich. I'm the Policy Coordinator at the Connecticut Association for Human Services, and I'm here to testify in support of HB 5048, the CHET Baby Scholars Program bill.

We strongly support this bill. To be a little bit -- essentially consistent creating child savings account for babies born in -- in the state during the first year -- well, the year of implementation of -- of this bill. Initially, depositing $100 into the account when the kid is born, and then matching up to $150 for -- deposited by the parents on this 529 account.

This bill actually creates a strong encouragement for parents to start saving for -- for their kid's education. Basically, creating a 529 plan has been shown that actually -- that actually creates a really strong incentive for kids and parents to

CRAIG PETERS: Good afternoon, Madam Chair and committee members. My name is Craig Peters. I'm the coordinator for Capital Clean Cities of Connecticut. We cover Greater Hartford and Tolland counties. And I'm here to present testimony today in support of proposed Bill Number 5466. Section 3 of the proposed bill is critical to the development of natural gas vehicle market in the state of Connecticut.

HB5466

Currently, the Department of Revenue Services, Regulation 12-455a-1, computation of tax on motor vehicle fuels and gaseous form, states that one gallon of gasoline equals 82.62 cubic feet of natural gas. The federal standard recognized nationally, as well as the Internal Revenue Service on Form 720, defines that one gallon of gasoline equivalent of compressed natural gas has the equivalent of 126.67 standard cubic feet. This difference results in the significant tax increase on each gasoline gallon equivalent sold in the state of Connecticut.

So, in an effort to support and promote the Administration and the Department of Energy and Environment Protection's vision to encourage the use of cleaner alternative fuels for transportation and a Comprehensive Energy Strategy and the Draft Clean Vehicle Action Plan, our coalition is strongly in favor of this bill.

By passing this bill, it will encourage further growth in the alternative fuel field. It will correct the error to reflect the federal government's formula and make a positive impact on the environment by reducing toxic emissions and greenhouse gasses and reducing our dependence on imported oil.

Our stakeholders, such as Clean Energy, USA Hauling, All-American Waste, Yellow Cab, AT&T, just to name a few, have invested millions of dollars on compressed natural gas stations and hundreds of vehicles. It should not be penalized by doing the right thing by reducing our dependence on imported oil and lowering emissions.

And so I just want to make clear that this is not a request for an exemption from any tax. It merely provides the proper calculations of the tax to be imposed, and we request that it mirrors the federal government's formula.

And in my written testimony, you'll see supporting documentation: IRS Form 720 is there and the United States Department of Energy's Fuel Property Comparison sheet is there as well, and also the Department of Revenue Services regulation is also attached to this written statement. If you have any questions, I'll be more than happy to answer them for you.

REP. WIDLITZ: Thank you very much. It's very helpful to have this additional information in explaining why we're making this change.

Are -- are there any questions?

Okay. Thank you very much.

CRAIG PETERS: Thank you.

REP. WIDLITZ: Christina Inferrera, followed by Representative Fred Camillo and Tim Bolton.

SB29

CHRISTINA INFERRERA: Good afternoon, Senator Fonfara, Representative Widlitz, and distinguished members of the Finance. My name bill has been proposed by Governor Malloy to change this. This is an urgent issue. With the high costs of insurance and other living expenses, retired teachers need some form of financial relief.

Our Governor has stepped forward and requested a tax reduction that makes sense. If the Governor's plan is accepted, these retirees will be in less financial difficulty. This is a similar plan that the Republican legislators have supported over the years. I urge this committee to support the bill. Are there any questions?

REP. WIDLITZ: Thank you very much for your testimony.

Are there any questions?

Okay. Thank you very much.

Brett Barry, followed by Bill Hoey and Bob Labanara.

Good afternoon.

BRETT BARRY: Good afternoon, Senator Fonfara, Representative Widlitz, Senator Frantz, Representative Williams and members of the Finance, Revenue and Bonding Committee. My name is Brett Barry. I'm a public policy and regulatory advisor for a company called Clean Energy Fuels. We build natural gas vehicle refueling stations. We have roughly 500 stations currently in our profile in roughly 42, 43 states and growing.

I present testimony today in strong support of a proposed bill before your committee, namely House Bill Number 5466. Specifically, I offer

-- offer my support for section 3 of the proposed bill, which is critical to the development of the natural gas vehicle market here in the state of Connecticut.

I believe you have copies of my testimony, so I'm just going to hit the -- hit the highlights for you. Basically, compressed natural gas, the method of sale is by the gasoline gallon equivalent. What that means is a gasoline gallon equivalent represents amount of compressed natural gas which has the same energy content as a gallon of gasoline. So, for instance, if your car travels 20 miles on a gallon of gasoline, if you were to put in one gasoline equivalent of natural gas, it would also travel those same 20 miles.

The National Conference on Weights and Measures recognized this unit in 1994 and established a definition for it, which created consistency in the marketplace, thereby, protecting the consumer. Subsequently, the federal government adopted this definition, as well, for purposes of motor fuel taxes at the federal level.

Unfortunately, however, Connecticut defines a gasoline gallon equivalent differently from the industry-accepted definition and the federal definition. Basically, what we have here now, the -- the current Connecticut definition creates a situation where businesses that are investing money in a cleaner American fuel are now paying more in taxation than other competitors which are continuing to utilize diesel and gasoline, which is largely a foreign fuel, and of course, the emissions are -- are much dirtier.

So what we are asking for is equality and uniformity in taxation for this promising

American natural gas motor fuel, and we urge the committee to pass House Bill 5466, particularly section 3. I thank you for your time and consideration.

REP. WIDLITZ: Thank you very much for your testimony.

Any questions?

Representative Davis.

REP. DAVIS: Thank you, Mr. Barry, for coming here today. I was just wondering, how many of these stations exist in the state of Connecticut currently?

BRETT BARRY: Right now, we have about 11 major customers that are utilizing compressed natural gas. I believe -- I can get you the exact number, but I believe the ballpark is around a dozen stations.

REP. DAVIS: Do you know how many vehicles they service on a regular -- in a year here in Connecticut? Is it -- is it something that's commonly used, or is it really still just a niche market?

BRETT BARRY: Well, I mean, we have a variety of customers. You have -- well, I just want to talk about the industry, in general, not about our customers, but you have Greater Hartford Transit, they're running their mass transit busses off of natural gas. You also have Metro and Yellow Cab and then, of course, Waste Haulers, USA Hauling, All-Waste, and AT&T, also, operating vans here in Connecticut. So what I can do is I can go back and talk to our business development team and get a list of all -- all the participants, stakeholders in

Connecticut and how many vehicles are currently operating.

REP. DAVIS: All right. Thank you.

Thank you, Madam Chairwoman.

REP. WIDLITZ: You're welcome.

Thank you, we'd all be interested in that information. Thank you.

BRETT BARRY: Okay. Great. Thank you.

REP. WIDLITZ: Bill Hoey followed by Bob Labanara and Robyn Kaplan-Cho.

BILL HOEY: Good afternoon, Madam Chairman and members of the committee. My name is Bill Hoey, and I am the vice president of Mission and Ethics at Saint Vincent's Health Services in Bridgeport, Connecticut; and I am here today to testify in support of Senate Bill 368, AN ACT PHASING OUT THE HOSPITAL TAX.

One of the things we are most proud of at Saint Vincent's is our collaborative work with Bridgeport Hospital, the Primary Care Action Group of Greater Bridgeport, a number of state agencies, and the City of Bridgeport where we created the Hope Dispensary of Greater Bridgeport.

The Hope Dispensary opened almost three years ago to provide sorely needed prescription medications to uninsured and underinsured, low-income residents of the Greater Bridgeport community. It is Connecticut's first and to-date only dispensary of hope.

REP. WIDLITZ: -- there are no questions.

Thank you.

Lee Grannis.

LEE GRANNIS: Madam Chairman and members of the committee, my name is Lee Grannis. I'm the coordinator for the Greater New Haven Clean Cities Coalition, and I'm here in support of House Bill 5466, specifically, section 3, proposed bill which addresses gaseous fuel tax compensation.

Clean Cities is a U.S. Department of Energy Program and advocates use of alternative fuels for transportation. We deploy advanced transportation vehicles and their associated infrastructure. There's 100 coalitions nationwide. There's four in Connecticut. I'm one of four, and there's 18,000 stakeholders across the country related to this.

I am here to request parity, really, related to how gaseous fuel transportation -- gaseous transportation fuels are taxed compared to traditional fuels. This parity lies in the energy values of gaseous fuels, as well as liquid fuels such as liquefied natural gas, which is actually is a gas when it's injected in the engine of the vehicle and propane; in other words, all gallons are not the same. And in the case of CNG or compressed natural gas, it is a gas not a liquid. Today, we are seeing compressed natural gas, liquefied natural gas and propane fueling stations springing up throughout the state. New alternative fuel fleets are being deployed along with these -- with this infrastructure, in the case of CNG, as a replacement for gasoline, as is propane in most cases. Liquefied natural gas is a replacement for diesel used mostly in Class 7 and 8 large over-the-road vehicles.

In the cases of all the alternative transportation fuels, they have significantly less energy content in their respective gallons; or in the case of natural gas, it's actually weighed in pounds. We need to correct -- we need to correct -- have corrected measures and correct the tax on all the alternative fuels in a gas -- in a gasoline or diesel gallon equivalent, especially to reduce confusion to the public.

The current Connecticut motor fuels tax calculations are not in accordance with federal Transportation Energy Conversion tables, and with Section 3 of House Bill 5466, we see an excellent start in correcting -- correcting the over taxation of gaseous fuels, as well as all the other alternative transportation fuels we have in the state.

Our aim -- and several other people have testified -- is to get the calculations correct, either in gas gallon equivalents, in the case of LNG and the diesel gallon equivalents. One other thing I would add is I would recommend that the Connecticut Consumer Protection, Weights and Measures Office be added to the consultation list because of the fuel dispersion measurement inspection duties. There are three new alternative fuels being dispensed, all with different physical characteristics which complicate the tax determination process.

And there was -- one question was asked how many stations are in the state. There are six public access CNG stations, four public work stations, a couple of utility stations. There are nearly 500 CNG vehicles on the road, a combination of light-duty -- mostly the taxis you see out here and trash vehicles. There are three public work -- public access CNG stations being built, and there are approximately 42 LNG tractors on the road in Connecticut. That's my testimony. Any questions?

REP. WIDLITZ: Thank you very much for the additional information. We appreciate that.

Okay. Jim Cotter, followed by Ed Goodwin.

ED GOODWIN: Hello and thank you to the committee for soldiering on to this late hour to deal with the many issues that have been presented here. My name is Ed Goodwin. I'm here both as an individual angel investor and as president of the Angel Investor Forum, Connecticut's largest angel group. I'm here speaking on Senate Bill 28, specifically, section 7, dealing with the angel tax credit and, even more specifically, subsection g of that which will gravely undermine the angel tax credit and may very well lead to reduced investment in Connecticut, which was certainly not the intent of the bill.

I just wanted to let you know that our group has increased investment in Connecticut companies due to the angel tax credit, and that we've increased our interaction in mentoring of companies that are often too early for angel investment, which is sort of an indirect effect of the angel tax credit.

Prior to the -- the tax credit, most of our deal flow from Massachusetts and New York, which have really good feeder programs for small high-growth companies, and Connecticut was certainly lagging in that respect. And now

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FINANCE, REVENUE & BONDING COMMITTEE
PUBLIC HEARING
MARCH 13, 2014

TESTIMONY OF COMMISSIONER KEVIN B. SULLIVAN
DEPARTMENT OF REVENUE SERVICES (DRS)

Good morning and thank you for this opportunity to testify in support of our agency initiatives for this session.

Before getting to the three bills requested by DRS, let me comment briefly on some other proposals we have worked on with Governor Malloy:

HB 5465 - **AAC the Connecticut Aerospace Reinvestment Act.** From a tax standpoint, this is a creative and effective way to make stranded R&D tax credits work even harder for Connecticut. As you know from your hearing earlier this week, this initiative takes investment credits already earned and leverages them for additional reinvestment by a lead global business that will continue to grow here, at home in Connecticut. Probably every single community in this state will benefit from the jobs, supply chain and innovation that HB 5465 assures.

SB 28 - **AAC Revenue Items to Implement the Governor's Budget.** Connecticut has come a long way in less than four years. Rather than deficits and tax increases, Governor Malloy's singular focus on fiscal stabilization and the tough decisions made by this committee are why Connecticut is now in a position to share the benefits with our taxpayers. Governor Malloy's proposed tax refund is one of those taxpayer dividends. Reversing the taxation of over-the-counter medications is good tax policy, good economic policy and good health policy that already has bipartisan support. The proposed treatment of teacher pensions will address a longstanding inequity. And the proposed changes to the Angel Investor tax credit will help realize the full potential of this economic investment tool. HB 5466 SB 390

This brings me to the three agency bills that we thank the committee for raising:

SB 369 - **AAC Changes to the Department of Revenue Services Statutes.**

Sections 1 and 2 actually grow out of *your* initiatives last session to focus on sales tax delinquencies and our February report on sales tax collection initiatives. For all the reasons we shared with you at the time, the specific pilot program enacted last session proved unworkable and unnecessary. While the facts seem to elude at least one of the vendors out there, truth is that no federal taxing jurisdiction is even considering that approach But your legislation did challenge us to do better and we have:

- By no longer renewing tax permits for delinquent taxpayers, hundreds of taxpayers are coming into compliance, remaining in compliance because of conditional renewals and paying what will continue for several years to be $3-5 million annually in back taxes
- Section 1 of SB 369 will give us another tool by allowing periodic publication of businesses in the state known to be operating without tax permits.
- Section 2, developed in consultation with the Connecticut Retail Merchants Association, will expedite all collections in line with other states and put delinquent taxpayers on a weekly electronic filing discipline using the existing DRS Taxpayer Service Center (TSC).

Section 3, based on successful experience in North Carolina and developed in consultation with the Connecticut Banker's Association, will be fairer to taxpayers, improve collection and reduce costs for financial institutions and DRS. Rather than the current process that requires full execution of a warrant before even determining if assets are available, this legislation will permit banks to screen accounts before DRS determines whether to proceed with collection.

As a matter of fairness, **Section 4** provides trusts and estates taxpayers the same income modification for qualified plan lump sum distributions that is already given to individual income taxpayers

Section 5 strengthens our position in dealing with off-shore hedge fund income that should be sourced to Connecticut for non-residents performing services properly attributable to performance in the state. Even with federal repatriation of certain off-shore income, this and other forms of transfer payments are an area where Connecticut needs to step up its game in combating tax evasion

Section 6 makes two changes The first addresses a matter of fairness for Connecticut taxpayers by mirroring New York's sourcing of income for non-residents selling or exchanging an interest in an entity owning real property in Connecticut. The second change is long overdue in reversing an old, flawed DRS regulation that treats business pass-through income unfairly compared to corporate income Instead, sales by pass-through entities will be sourced to Connecticut based on the location of the customer rather than the current rule sourcing pass-through entity income based on the origin of the sale The importance of this proposal in improving our state's competitive economic position is evidenced by strong support from the Connecticut Business & Industry Association (CBIA). Please note that our analysis indicates this will be revenue neutral at worst

Section 7 is purely a change added by LCO

HB 5466 – AAC Department of Revenue Services' Procedures for Background Checks for Job Applicants, Applicability of the Estate Tax and Taxation of Motor Fuel in Gaseous Form.

Now, if you have not all drifted off, **Section 1** of this bill allows DRS the same access as other state agencies to federal criminal history records – in this case for employee security screening.

Section 2 is truly technical and corrects a drafting error in last session's legislation on the applicability of the estate tax.

Section 3, consistent with Connecticut's incentives for lower cost alternative fuels, simply requires DRS, in consultation with the Department of Energy and Environmental Protection (DEEP), to set annually the state rate for conversion of natural gas and propane to liquid gallons under the motor vehicle fuel tax consistent with the federal rate.

SB 390 – AAC Concerning Changes to Cigarette Regulation to Implement the Nonparticipating Manufacturer Adjustment Settlement Agreement.

Finally, you will recall that Connecticut wisely chose to accept settlement in the most recently completed federal cigarette Master Settlement Agreement (MSA) arbitration. Unlike other states, we protected our state share of annual MSA dollars, gained a one-time payment and now have $13 million in reserve for enhanced enforcement by DRS and the Attorney General SB 390 conforms state law to the settlement and commits us to an even greater focus on the interdiction of illegal, untaxed cigarette sales. DRS will shortly complete our strategic planning for this initiative, seek release of first year funding and then crack down even more effectively on illicit sales that evade taxation and unfairly compete with distributers and retailers

Thank you for your consideration and we are, as always, looking forward to working with the committee.

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Finance, Revenue and Bonding Committee
March 13, 2014

House Bill No. 5466: AAC the Department of Revenue Services' Procedures for Background Checks for Job Applicants, Applicability of the Estate Tax and Taxation of Motor Fuel in Gaseous Form

Testimony Submitted by:

Lee Grannis – Coordinator Greater New Haven Clean Cities Coalition, Inc.

Senator Fonfara, Representative Widlitz, Senator Frantz, Representative Williams and members of the Finance, Revenue and Bonding Committee, my name is Lee Grannis and I am the Coordinator of the Greater New Haven Clean Cities Coalition located at 61 Rolling Green Road, Bethany, Connecticut 06524.

I am here today to testify in strong **support** of a proposed bill before your Committee, House Bill No. 5466, entitled "An Act Concerning the Department of Revenue Services' Procedures for Background Checks for Job Applicants, Applicability of the Estate Tax and Taxation of Motor Fuel in Gaseous Form." Specifically, I offer my support for Section 3 of the proposed bill which addresses gaseous fuels tax computation.

Clean Cities is a US Dept. of Energy Program that supports the deployment of alternative fuel vehicles and their associated fuels as listed in the federal Energy Policy Act of 1992 and subsequent updates of the policy. The program's first priority is the reduced use of foreign petroleum and the related harmful mobile source emission reductions. My coalition is one of four in Connecticut and part of nearly 100 coalition's nationwide along with 18,000 stakeholders. Clean Cities is an alternative fuel neutral organization.

I am here to request parity related to how gaseous fuels are taxed compared to traditional fuels. The disparity lies in the energy values of gaseous fuels as well as in the liquid fuels such as liquefied natural gas (LNG) and propane. In other words all gallons are not the same, and in the case of CNG (Compressed Natural Gas) it is a gas not a liquid. Today we are seeing compressed natural gas, liquefied natural gas and propane fueling stations springing up throughout the state and new alternative fuel fleets being deployed. In the case of CNG, it is a replacement for gasoline, as is propane in most cases. Liquefied natural gas is a replacement for diesel used mostly in Class 7 or Class 8 large over the road vehicles. In the case of all these alternative transportation fuels, they have significantly less energy contents in their respective gallons or in the case of natural gas, pounds. We need to correctly measure and tax all the alternative fuels in a gasoline or diesel gallon equivalent especially to reduce confusion for the public.

The current Connecticut motor fuels tax calculations are **not** in accordance with federal transportation energy conversion tables, and with Section 3 of House Bill 5466 we see an excellent start in correcting the over taxation of gaseous fuels as well as all the alternative transportation fuels. Our aim, as many here are testifying, is to correctly calculate a gasoline gallon equivalent (GGE) in accordance with federal standards, and hopefully do the same for liquefied natural gas as a diesel gallon equivalent (DGE) as well as the correct propane transportation fuel equivalency. In addition we recommend that the Connecticut Consumer Protection, Weights and Measures Office be added to the consultation list because of their fuel dispenser measurement inspection duties. There are three new alternative transportation fuels being dispensed, all with different physical characteristics, which complicate the tax determination process.

Thank you for the opportunity to provide this testimony to the Committee, and I encourage you to move forward with the proposed bill in front of you.

Lee Grannis
Coordinator
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Enclosure 1: US DOE Alternative Fuels Data Center-Fuel Properties Comparison
2: Letter from Graham Barker-Air & Gas Techologies

000382

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AIR & GAS TECHNOLOGIES

April 19, 2013

Mr. Frank Antonacci
USA Recycle
Hartford, CT

Subject: State of CT Excise Tax on CNG

Dear Frank:

Further to our recent conversation at the Capitol Clean Cities Meeting, I reviewed the information contained in CT Agencies Regulations § 12-455a-1 and compared it to the information in my files from my dealings with the State of Connecticut Department of Consumer Protection Foods & Standards Division relative to Weights & Measures certification for CNG dispensers.

Based upon this review, it is clear that the values contained in section 12-455a-1(d) specifying equivalency are 100% incorrect, and I agree that you are being unfairly overtaxed. I am not sure where this information was obtained, but it does not match anything contained in any other legislation I am aware of. The CNG industry, US Internal Revenue Service (IRS), National Conference of Weights & Measures (NCWM) and National Institute of Standards & Technology (NIST) – which is actually referenced as a resource in the legislation – all base their Gasoline Gallon Equivalency (GGE) for CNG on an energy content equivalency, and performed research to back up the findings.

The IRS regulations use 126.67 cubic feet as an acceptable method of converting CNG to GGE units. The IRS conversion factor is based on the assumption that gasoline has roughly 114,000 Btu (rounded from 114,100 Btu lower heating value (LHV) and CNG has roughly 900 Btu LHV per cubic foot (rounded from 923.7 Btu).

At its 79th conference in 1994, NCWM adopted resolutions that:

> *All natural gas kept, offered or exposed for sale or sold at retail as a vehicle fuel shall be in terms of the gasoline liter equivalent (GLE) or gasoline gallon equivalent (GGE), and*
>
> *All retail natural gas dispensers shall be labeled with the conversion factor in terms of kilograms or pounds. The label shall be permanently and conspicuously displayed on the face of the dispenser and shall have either the statement "1 Gasoline Liter Equivalent (GLE) is equal to 0.678 lbs of Natural Gas" or "1 Gasoline Gallon Equivalent (GGE) is equal to 5.660 lbs of Natural Gas" according to the method of sale used.*

Similar statements to the above are also contained in NIST Handbook 130 and 44.

The NCWM resolution is based upon the assumption that gasoline contains 114,100 Btu LHV and CNG contains 923.7 Btu LHV per cubic foot. While not exactly equivalent, 126.67 cubic feet and 5.66 pounds of compressed natural gas are close enough to be used interchangeably without raising concerns of unfair treatment.

According to NGV America, the CNG industry trade association, 27 states (27) already tax CNG based on energy content

As can be seen from the above, a great deal of research and thought went into the development of the official GGE; unfortunately, CT DRS do not appear to have spoken with any other state agencies or done any detailed investigation of national standards before issuing their document.

Using the CT DRS conversion factor contained in 12-455a-1(d) of 1 GGE = 82.62 cubic feet, and using the above nationally accepted calculations, a GGE according to CT DRS is 3.69 lbs of natural gas.

However, as the CNG dispensers are calibrated and DCP certified to 1 GGE being 5.66 lbs of natural gas, CT DRS is significantly overtaxing the fuel. Using the CT tax rate of 26¢ per GGE as a baseline, CT DRS is actually charging 39.8¢ per gallon, which is 53% higher than required.

Hopefully, the above can be brought to the attention of CT DRS, and they can correct their mathematical errors.

If you need any assistance explaining this issue to CT DRS I would be happy to assist, as the legislation as written is a detriment to the use of CNG as an alternate fuel; and this is totally opposite to the Governor's stance on actively promoting the use of alternate fuels in Connecticut. Perhaps this could be brought up to him and the other dignitaries at your ribbon cutting on May 1st.

Should you have any questions, please give me a call at the Connecticut office shown below

Sincerely,

Graham Barker

Graham Barker
Business Development Manager

CT Office: PO Box 110556, Trumbull, CT 06611
Phone: 203 374 1795
Cell: 203 394 7889
e-mail: grahambarker@earthlink.net

Alternative Fuels Data Center – Fuel Properties Comparison

Chemical Structure	C_4 to C_{12}	C_8 to C_{25}	Methyl esters of C_{12} to C_{22} fatty acids	C_3H_8 (majority) and C_4H_{10} (minority)	CH_4 (83-99%), C_2H_6 (1-13%)	CH_4	CH_3CH_2OH	CH_3OH	H_2	N/A
Fuel Material (feedstocks)	Crude Oil	Crude Oil	Fats and oils from sources such as soy beans, waste cooking oil, animal fats, and rapeseed	A by-product of petroleum refining or natural gas processing	Underground reserves	Underground reserves	Corn, grains, or agricultural waste (cellulose)	Natural gas, coal, or, woody biomass	Natural gas, methanol, and electrolysis of water	Coal, nuclear, natural gas, hydroelectric, and small percentages of wind and solar
Gasoline Gallon Equivalent	100%	1 gallon of diesel has 113% of the energy of one gallon of gasoline	B100 has 103% of the energy in one gallon of gasoline or 93% of the energy of one gallon of diesel. B20 has 109% of the energy of one gallon of gasoline or 99% of the energy of one gallon of diesel	1 gallon of propane has 73% of the energy of one gallon of gasoline.	5.66 pounds or 126.67 cu. ft of CNG has 100% of the energy of one gallon of gasoline [1]	1 gallon of LNG has 64% of the energy of one gallon of gasoline	1 gallon of E85 has 73% to 83% of the energy of one gallon gasoline (variation due to ethanol content in E85). 1 gallon of E10 has 96.7% if the energy of one gallon of gasoline [2]	1 gallon of methanol has 49% of the energy of one gallon of gasoline.	1 kg or 2.198 lbs of H_2 has 100% of the energy of one gallon of gasoline.	33.70 kWh has 100% of the energy of one gallon of gasoline.
Energy Content (Lower heating value)	116,090 Btu/gal (g)	128,450 Btu/gal (g)	119,550 Btu/gal for B100 (g)	84,950 Btu/gal (g)	20,268 Btu/lb (g) [1]	74,720 Btu/gal (g)	76,330 Btu/gal for E100 (g)	57,250 Btu/gal (g)	51,585 Btu/lb (g)	3,414 Btu/kWh

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Alternative Fuels Data Center – Fuel Properties Comparison

Energy Content (Higher heating value)	124,340 Btu/gal (g)	137,380 Btu/gal (g)	127,960 Btu/gal for B100 (g)	91,410 Btu/gal (g)	22,453 Btu/lb (g) [1]	84,820 Btu/gal (g)	84,530 Btu/gal for E100 (g)	65,200 Btu/gal (g)	61,013 Btu/lb (g)	3,414 Btu/kWh
Physical State	Liquid	Liquid	Liquid	Pressurized Liquid	Compressed Gas	Cryogenic Liquid	Liquid	Liquid	Compressed Gas or Liquid	Electricity
Cetane Number	N/A	40-55 (a)	48-65 (a)	N/A	N/A	N/A	0-54 (b)	N/A	N/A	N/A
Pump Octane Number	84-93 (c)	N/A	N/A	105 (f)	120+ (d)	120+ (d)	110 (e)	112 (e)	130+ (f)	N/A
Flash Point	-45 °F (o)	165 °F (o)	212 to 338 °F (a)	-100 to -150 °F (o)	-300 °F (o)	-306 °F (p)	55 °F (o)	52 °F (o)	N/A	N/A
Autoignition Temperature	495 °F (o)	~600 °F (o)	~300 °F (a)	850 to 950 °F (o)	1,004 °F (o)	1,004 °F (p)	793 °F (o)	897 °F (o)	1,050 to 1,080 °F (o)	N/A
Maintenance Issues			Hoses and seals may be affected by higher-percent blend. Lubricity is improved over that of conventional diesel fuel.	Some fleets report service lives that are 2-3 years longer, as well as extended intervals between required maintenance	High-pressure tanks require periodic inspection and certification	High-pressure tanks require periodic inspection and certification	Special lubricants may be required. Practices are very similar, if not identical, to those for conventionally fueled operations.	Special lubricants must be used as directed by the supplier and M-85-compatible replacement parts must be used.	When hydrogen is used in fuel cell applications, maintenance should be very minimal	Service requirements are less than with gasoline or diesel. No tune-ups, oil changes, timing belts, water pumps, radiators, or fuel injectors are required It is likely that the battery will need replacement before the vehicle is retired.

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Alternative Fuels Data Center – Fuel Properties Comparison

Energy Security Impacts	Manufactured using oil, of which nearly 2/3 is imported (n)	Manufactured using oil, of which nearly 2/3 is imported (n)	Biodiesel is domestically produced, renewable, and reduces petroleum use 95% throughout its lifecycle (i)	Approximately half of the LPG in the U.S. is derived from oil, but no oil is imported specifically for LPG production.	CNG is domestically produced. The United States has vast natural gas reserves.	LNG is domestically produced.	Ethanol is produced domestically. E85 reduces lifecycle petroleum use by 70% and E10 reduces petroleum use by 6.3% (l)	Methanol is domestically produced, sometimes from renewable resources	Hydrogen is produced domestically and can be produced from renewable sources	Electricity is generated mainly through coal fired power plants. Coal is the United States' most plentiful and price-stable fossil energy resource.

Notes

[1] Due to the infinite temperature and pressure combinations of gaseous fuels and their effect on fuel density, ft³ units are not given Most of these fuels are dispensed by Coriolis flow meters, which track fuel mass and report fuel dispensed on a "gallon of gasoline-equivalent" (GGE) basis

[2] E85 is a high-level gasoline-ethanol blend containing 51% to 83% ethanol, depending on geography and season Ethanol content is lower in winter months in cold climates to ensure a vehicle starts Based on composition, E85's lower heating value varies from 83,950 to 95,450 Btu/gal This equates to 73% to 83% the heat content of gasoline

Sources

(a) R L McCormick Biodiesel Handling and Use Guidelines—Fourth Edition, National Renewable Energy Laboratory, 2009

(b) American Petroleum Institute (API), Alcohols and Ethers, Publication No. 4261, 3rd ed (Washington, DC, June 2001), Table 2.

(c) Petroleum Product Surveys· Motor Gasoline, Summer 1986, Winter 1986/1987 National Institute for Petroleum and Energy Research

(d) K Owen and T Coley 1995. Automotive Fuels Reference Book: Second Edition Society of Automotive Engineers, Inc. Warrendale, PA

(e) J Heywood 1988 Internal Combustion Engine Fundamentals McGraw-Hill Inc New York

(f) American Petroleum Institute (API), Alcohols and Ethers, Publication No 4261, 3rd ed. (Washington, DC, June 2001), Table B-1

(g) Greenhouse Gases, Regulated Emissions, and Energy Use in Transportation (GREET) Model, version 1.7. 2007 Input Fuel Specifications. Argonne National Laboratory Chicago, IL

(h) The National Biodiesel Board website reports that "most major engine companies have stated formally that the use of blends up to B20 will not void their parts and workmanship warranties " Accessed 11/15/12 at http://www.biodiesel.org/using-biodiesel/oem-information/oem-statement-summary-chart

(i) J Sheehan, V Camobreco, J Duffield, M Graboski, and H Shapouri. 1998 An Overview of Biodiesel and Petroleum Diesel Life Cycles Report of National Renewable Energy Laboratory (NREL) and US-Department of Energy (DOE)

(j) R L McCormick, A Williams, J Ireland, M. Brimhall, and R R Hayes 2006. Effects of Biodiesel Blends on Vehicle Emissions NREL Milestone Report NREL/MP-540-40554.

(k) K Kelly, L Eudy, and T Coburn. 1999 Light-Duty Alternative Fuel Vehicles. Federal Test Procedure Emissions Results Report of National Renewable Energy Laboratory (NREL), NREL/TP-540-25818

(l) M Wang 2005. Energy and Greenhouse Gas Emissions Impacts of Fuel Ethanol Presentation to the NGCA Renewable Fuels Forum, August 23, 2005. Argonne National Laboratory. Chicago, IL

(m) J Murray, Ben Lane, K Lillie, and J McCallum 2000 An Assessment of the Emissions Performance of Alternative and Conventional Fuels Report of the Alternative Fuels Group of the Cleaner Vehicles Task Force Norwich, UK

(n) Energy Information Administration Monthly Energy Review. Summary for 2006

(o) Methanol Institute Fuel Properties. Accessed 11/14/2012 at http://www.methanol.org/Energy/Resources/Alternative-Fuel/Alt-Fuel-Properties.aspx

(p) Foss, Michelle 2012. LNG Safety and Security Bureau of Economic Geology, Jackson School of Geosciences University of Texas at Austin

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Finance, Revenue and Bonding Committee
March 13, 2014

House Bill No. 5466: AAC the Department of Revenue Services' Procedures for Background Checks for Job Applicants, Applicability of the Estate Tax and Taxation of Motor Fuel in Gaseous Form

Testimony Submitted by:

Brett Barry – Public Policy and Regulatory Advisor
Clean Energy Fuels

Senator Fonfara, Representative Widlitz, Senator Frantz, Representative Williams and members of the Finance, Revenue and Bonding Committee, my name is Brett Barry and I am the Director of Public Policy and Regulatory Advisor for Clean Energy Fuels with an office located in Concord, New Hampshire.

I present testimony today in strong **support** of a proposed bill before your Committee, House Bill No. 5466, entitled "An Act Concerning the Department of Revenue Services' Procedures for Background Checks for Job Applicants, Applicability of the Estate Tax and Taxation of Motor Fuel in Gaseous Form." Specifically, I offer my support for Section 3 of the proposed bill which is critical to the development of the natural gas vehicle market here in the State of Connecticut.

Clean Energy is the largest provider of natural gas fuel for transportation in North America, fueling over 35,000 vehicles each day at approximately 500 fueling stations throughout the United States and Canada. We serve a broad customer base in a variety of markets, including trucking, airport shuttles, taxis, refuse, and public transit, and our support for this provision of the bill is on behalf of the customers that we currently have here in the State and those that we believe will transition over to the use of Compressed Natural Gas (CNG) in the near future. Currently, there are eleven major users of CNG here in the State and this number has been steadily increasing over the years as the environmental benefits of CNG are recognized, the technology has advanced and the cost has decreased, especially in comparison to conventional fuels such as diesel or gasoline.

In order to simplify what this provision does, it provides for the taxation of CNG by the "gasoline gallon equivalent" as defined by the federal government. It is NOT a request for an exemption from any tax; it merely provides for the proper calculation of the tax to be imposed and requests that it mirror the federal government's formula so that consistency can be maintained without repetitive action from this General Assembly.

A "gasoline gallon equivalent" is an amount of CNG which has the same energy content as a gallon of gasoline thus providing equality in taxation. As utilization of natural gas vehicles continues to grow across the country, it has come to the attention of stakeholders that Connecticut defines a gasoline gallon equivalent differently from the industry accepted and federally-adopted standard. This is not necessarily a surprise given that use of CNG and other natural gases as fuels for cars and trucks is relatively new. Nevertheless, this has caused confusion and instability in the market and a correction is required.

This is the case in Connecticut. The current definition is unique to the State and does not represent a true "gasoline gallon equivalent." Section 3 of House Bill 5466 will correct Connecticut's definition thereby creating uniformity with the federal government and a growing majority of the states. In addition, such action is consistent with the General Assembly's recognition that reasonable steps should be taken in order to promote the use of these types of vehicles so that any impacts on the environment are positive rather than negative.

Thank you for the opportunity to provide this testimony to the Committee, and I encourage you to move forward with the proposed bill in front of you.

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Clean Cities
Capitol
Clean Cities
of Connecticut, Inc
Promoting Alternative Fuels and Energy Independence

CAPITOL CLEAN CITIES OF CONNECTICUT, INC.

PO Box 1253, South Windsor, CT 06074

March 13, 2014

Finance, Revenue and Bonding Committee Members
Legislative Office Building
Hartford, CT 06106-1591

Re: House Bill No. 5466, Section 3

My name is Craig Peters and I am the Coordinator for Capitol Clean Cities of Connecticut. I present testimony today in support of Proposed Bill No. 5466. Section 3 of the proposed bill is critical to the development of the natural gas vehicle market in the State of Connecticut.

Currently, the Department of Revenue Services Regs. 12-455a-1 computation of tax on motor vehicle fuels in gaseous form states that one gallon of gasoline equals 82.62 cubic feet of natural gas. The Federal Standard, recognized nationally as well as Internal Revenue Service Form 720, defines one Gasoline Gallon Equivalent (GGE) of CNG as the equivalent of 126.67 Standard Cubic Feet. The difference results in a significant tax increase on each Gasoline Gallon Equivalent of CNG sold in Connecticut.

In an effort to support and promote the Administration and the Department of Energy and Environment Protection's mission to encourage the use of cleaner alternative fuels for transportation in the Comprehensive Energy Strategy and the Draft Clean Vehicle Action Plan, our Coalition is strongly in favor of this Bill.

By passing this bill, it will encourage further growth in the alternative fuel field, correct the error to reflect the Federal Government's formula and make a positive impact on the environment by reducing toxic emissions and greenhouse gases.

Our stakeholders, such as Clean Energy, USA Hauling, All-American Waste, Yellow Cab, and AT&T to name a few have invested millions of dollars on CNG stations and hundreds of vehicles and should not be penalized for doing the right thing by reducing our independence on imported oil and lowering emissions.

This is not a request for exemption from any tax, it merely provides for the proper calculation of the tax to be imposed and requests that it mirror the federal government's formula.

Attached you will find supporting documentation (IRS Form 720, Dept of Energy Fuel Properties Comparison).

Sincerely,

Craig Peters,
Coordinator, Capitol Clean Cities of Connecticut, Inc.

Conn. Agencies Regs. § 12-455a-1. Computation of tax on motor vehicle fuels in gaseous form.

(a) Definitions. As used in this section of the Regulations of Connecticut State Agencies:

"British Thermal Unit" (Btu) means an amount of heat required to raise the temperature of one pound of water one degree Fahrenheit;

"Cubic foot" means a standard unit of gas measurement and is defined as the amount of gas occupying a cubic foot of space at a pressure of 30 inches of mercury (approximately 14.7 psi) and a temperature of 60 degrees Fahrenheit;

"Fuels" includes natural gas and propane, as well as other fuels in gaseous form suitable for the generation of power to propel motor vehicles;

"Gallon" means a measure of volume equivalent to 231 cubic inches. When used as a standard unit of measure for liquid natural gas and other liquid fuels, it refers to a gallon of liquid fuel at a temperature of 60 degrees Fahrenheit;

"Natural gas" means naturally occurring mixtures of hydrocarbon gases and vapors consisting principally of methane, whether in gaseous or liquid form;

"Propane" means a gaseous paraffin hydrocarbon, which becomes liquid under pressure or reduced temperatures;

"Psi" means pounds of pressure per square inch.

(b) The tax imposed on natural gas and propane in their gaseous forms shall be computed based on their liquid gallon equivalents.

(c) Compressed Propane (Gaseous Form) Equivalency Table. At 14.73 psi and 60 degrees Fahrenheit:

1 cubic foot propane = 0.0278 gallons propane

100 cubic feet propane = 2.78 gallons propane

1 gallon propane = 35.97 cubic feet propane

100 gallons propane = 3597 cubic feet propane

(d) Natural Gas (Gaseous Form) Equivalency Table. At 14.73 psi and 60 degrees Fahrenheit:

1 cubic foot natural gas = 0.012 gallons natural gas

100 cubic feet natural gas = 1.2 gallons natural gas

* 1 gallon natural gas = 82.62 cubic feet natural gas

100 gallons natural gas = 8262 cubic feet natural gas

(e) Converting Liters to Gallons. To convert liters to gallons, multiply the number of liters by 0.26417 to determine the equivalent number of gallons.

(f) Temperature and Pressure Corrections. When necessary to correct for temperature and pressure, for example when motor vehicle fuels are not measured at 14.73 psi or 60 degrees Fahrenheit, refer to the most recent edition of National Institute of Standards and Technology Handbook No. 44 for the proper correctional factors.

(Effective April 28, 2000.)

Printable Version

Alternative Fuels Data Center – Fuel Properties Comparison

	Gasoline	Diesel (No. 2)	Biodiesel	Propane (LPG)	Compressed Natural Gas (CNG)	Liquefied Natural Gas (LNG)	Ethanol	Methanol	Hydrogen	Electricity
Chemical Structure	C_4 to C_{12}	C_8 to C_{25}	Methyl esters of C_{12} to C_{22} fatty acids	C_3H_8 (majority) and C_4H_{10} (minority)	CH_4 (83-99%), C_2H_6 (1-13%)	CH_4	CH_3CH_2OH	CH_3OH	H_2	N/A
Fuel Material (feedstocks)	Crude Oil	Crude Oil	Fats and oils from sources such as soy beans, waste cooking oil, animal fats, and rapeseed	A by-product of petroleum refining or natural gas processing	Underground reserves	Underground reserves	Corn, grains, or agricultural waste (cellulose)	Natural gas, coal, or, woody biomass	Natural gas, methanol, and electrolysis of water	Coal, nuclear, natural gas, hydroelectric, and small percentages of wind and solar
Gasoline Gallon Equivalent	100%	1 gallon of diesel has 113% of the energy of one gallon of gasoline.	B100 has 103% of the energy in one gallon of gasoline or 93% of the energy of one gallon of diesel. B20 has 109% of the energy of one gallon of gasoline or 99% of the energy of one gallon of diesel.	1 gallon of propane has 73% of the energy of one gallon of gasoline.	5.66 pounds or 126.67 cu. ft. of CNG has 100% of the energy of one gallon of gasoline. [1]	1 gallon of LNG has 64% of the energy of one gallon of gasoline.	1 gallon of E85 has 73% to 83% of the energy of one gallon gasoline (variation due to ethanol content in E85). 1 gallon of E10 has 96.7% if the energy of one gallon of gasoline. [2]	1 gallon of methanol has 49% of the energy of one gallon of gasoline	1 kg or 2.198 lbs. of H_2 has 100% of the energy of one gallon of gasoline.	33.70 kWh has 100% of the energy of one gallon of gasoline.
Energy Content (Lower heating value)	116,090 Btu/gal (g)	128,450 Btu/gal (g)	119,550 Btu/gal for B100 (g)	84,950 Btu/gal (g)	20,268 Btu/lb (g) [1]	74,720 Btu/gal (g)	76,330 Btu/gal for E100 (g)	57,250 Btu/gal (g)	51,585 Btu/lb (g)	3,414 Btu/kWh

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Form **720** (Rev. January 2014) Department of the Treasury Internal Revenue Service

Quarterly Federal Excise Tax Return

▶ See the Instructions for Form 720.
▶ Information about Form 720 and its instructions is at *www.irs.gov/form720.*

OMB No. 1545-0023

Check here if:
☐ Final return
☐ Address change

Name | Quarter ending
Number, street, and room or suite no (If you have a P.O. box, see the instructions) | Employer identification number
City or town, state or province, country, and ZIP or foreign postal code

FOR IRS USE ONLY	
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Part I

IRS No.	Environmental Taxes (attach Form 6627)			Tax	IRS No.
18	Domestic petroleum oil spill tax				18
21	Imported petroleum products oil spill tax				21
98	Ozone-depleting chemicals (ODCs)				98
19	ODC tax on imported products				19
	Communications and Air Transportation Taxes (see instructions)			Tax	
22	Local telephone service and teletypewriter exchange service				22
26	Transportation of persons by air				26
28	Transportation of property by air				28
27	Use of international air travel facilities				27
	Fuel Taxes	Number of gallons	Rate	Tax	
60	(a) Diesel, tax on removal at terminal rack		$.244		
	(b) Diesel, tax on taxable events other than removal at terminal rack		.244		60
	(c) Diesel, tax on sale or removal of biodiesel mixture (not at terminal rack)		.244		
104	Diesel-water fuel emulsion		.198		104
105	Dyed diesel, LUST tax		.001		105
107	Dyed kerosene, LUST tax		.001		107
119	LUST tax, other exempt removals (see instructions)		.001		119
35	(a) Kerosene, tax on removal at terminal rack (see instructions)		.244		
	(b) Kerosene, tax on taxable events other than removal at terminal rack		.244		35
69	Kerosene for use in aviation (see instructions)		.219		69
77	Kerosene for use in commercial aviation (other than foreign trade)		.044		77
111	Kerosene for use in aviation, LUST tax on nontaxable uses		.001		111
79	Other fuels (see instructions)				79
62	(a) Gasoline, tax on removal at terminal rack		.184		
	(b) Gasoline, tax on taxable events other than removal at terminal rack		.184		62
13	Any liquid fuel used in a fractional ownership program aircraft		.141		13
14	Aviation gasoline		.194		14
112	Liquefied petroleum gas (LPG)		.183		112
118	"P Series" fuels		184		118
120	Compressed natural gas (CNG) (GGE = 126.67 cu. ft.)		.183		120
121	Liquefied hydrogen		.184		121
122	Fischer-Tropsch process liquid fuel from coal (including peat)		.244		122
123	Liquid fuel derived from biomass		.244		123
124	Liquefied natural gas (LNG)		.243		124
33	**Retail Tax—**Truck, trailer, and semitrailer chassis and bodies, and tractor		12% of sales price		33
	Ship Passenger Tax	Number of persons	Rate	Tax	
29	Transportation by water		$3 per person		29
	Other Excise Tax	Amount of obligations	Rate	Tax	
31	Obligations not in registered form		$ .01		31
	Foreign Insurance Taxes— Policies issued by foreign insurers	Premiums paid	Rate	Tax	IRS No.
30	Casualty insurance and indemnity bonds		$ .04		
	Life insurance, sickness and accident policies, and annuity contracts		.01		30
	Reinsurance		.01		

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Written testimony of
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FINANCE, REVENUE AND BONDING COMMITTEE

PUBLIC HEARING Thursday, March 13, 2014 at 10:30 A.M. in Room 2E of the LOB
CT General Assembly

Reference: H.B. No. 5466 (RAISED) AN ACT CONCERNING DEPARTMENT OF REVENUE SERVICES' PROCEDURES FOR BACKGROUND CHECKS FOR JOB APPLICANTS, APPLICABILITY OF THE ESTATE TAX AND TAXATION OF MOTOR FUEL IN GASEOUS FORM.

Good morning Senator Fonfara and Representative Widlitz and other distinguished members of your committee. I am Mike Morrissey, from Glastonbury. I am also the Connecticut State Director to the National Propane Gas Association. Today, I represent our local trade association members who provide propane gas service to our state. I am here to speak in support of **H.B. No. 5466 (RAISED) AN ACT CONCERNING DEPARTMENT OF REVENUE SERVICES' PROCEDURES FOR BACKGROUND CHECKS FOR JOB APPLICANTS, APPLICABILITY OF THE ESTATE TAX AND TAXATION OF MOTOR FUEL IN GASEOUS FORM.**

Since July 1, 2008 when propane lost its statutory exemption from road tax, it along with natural gas, has essentially been penalized when used as an alternate motor fuel. In the case of propane more popularly referred as ***autogas***, the penalty has been just over 36% when compared to a standard BTU per gallon measurement to gasoline.

At the very least, we need to tax propane autogas equally on a BTU basis. Using the referenced chart (lower heating value – reverse side) produced by the ALTERNATE FUEL DATA CENTER[1], gasoline is rated 116,090 BTU per gallon. Propane is rated at 84,950 BTU per gallon. Recognizing this difference in BTU per gallon between these two fuels, propane on a cost per gallon should be fairly taxed at a rate of **19.0258 cents per gallon versus the current rate of 26 cents per gallon.**

Last week, UPS[2] announced they will be purchasing 1000 delivery vehicles operating on ***autogas*** and will install 50 private fueling stations to support these vehicles for a total cost of almost 70 million dollars. Last year, the cities of Shelton and Torrington purchased over 100 school buses which operate on ***autogas***.

Clearly, ***autogas*** is gaining a lot more traction in America and joins over 19 million vehicles worldwide operating on it now. Establishing BTU parity on a per gallon basis when it comes to excise tax, is the right way to go and will eliminate any penalty a private fleet owner will pay when operating on ***autogas*** in our state.

I would be happy to answer any questions at this time

[1] http://www.afdc.energy.gov/fuels/fuel_comparison_chart.pdf
[2] http://www.forbes.com/sites/greatspeculations/2014/03/07/ups-to-benefit-from-fleet-running-on-alternative-fuel/

Alternative Fuels Data Center – Fuel Properties Comparison

	Gasoline	Diesel (No. 2)	Biodiesel	Propane (LPG)	Compressed Natural Gas (CNG)	Liquefied Natural Gas (LNG)	Ethanol	Methanol	Hydrogen	Electricity
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Fuel Material (feedstocks)	Crude Oil	Crude Oil	Fats and oils from sources such as soy beans, waste cooking oil, animal fats, and rapeseed	A by-product of petroleum refining or natural gas processing	Underground reserves	Underground reserves	Corn, grains, or agricultural waste (cellulose)	Natural gas, coal, or, woody biomass	Natural gas, methanol, and electrolysis of water	Coal, nuclear, natural gas, hydroelectric, and small percentages of wind and solar
Gasoline Gallon Equivalent	100%	1 gallon of diesel has 113% of the energy of one gallon of gasoline	B100 has 103% of the energy in one gallon of gasoline or 93% of the energy of one gallon of diesel. B20 has 109% of the energy of one gallon of gasoline or 99% of the energy of one gallon of diesel.	1 gallon of propane has 73% of the energy of one gallon of gasoline.	5.66 pounds or 126.67 cu ft. of CNG has 100% of the energy of one gallon of gasoline. [1]	1 gallon of LNG has 64% of the energy of one gallon of gasoline.	1 gallon of E85 has 73% to 83% of the energy of one gallon gasoline (variation due to ethanol content in E85). 1 gallon of E10 has 96.7% of the energy of one gallon of gasoline. [2]	1 gallon of methanol has 49% of the energy of one gallon of gasoline.	1 kg or 2.198 lbs. of H_2 has 100% of the energy of one gallon of gasoline.	33.70 kWh has 100% of the energy of one gallon of gasoline.
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