



Motor Fuel Tax Issues with Natural Gas and Other Alternative Fuels



Background

- Prices, supply issues, and demands for cleaner vehicles are raising the demand for alternative fuel vehicles
- Federal and State tax credits and other initiatives are helping to grow the market for alternative fuels



Fuel Types

- Biodiesel
- Ethanol
- Compressed Natural Gas
- Propane
- Hydrogen
- Electricity



Fuel Types

- Each fuel type has advantages and disadvantages



Tax Compliance Issues

- Ethanol
 - Distribution: rail, dedicated pipeline, truck
 - Product is blended with gasoline, but how do you check the concentration
 - Equipment is now available to manufacture your own ethanol.



Tax Compliance Issues

- Biodiesel
 - Tracking feedstock such as vegetable oil
 - Can be made from used frying oil
 - Can be manufactured in very small batches so it is more difficult to discover



Tax Compliance Issues

- Compressed Natural Gas
 - (Includes Liquefied Natural Gas)
 - Historical limited supply locations made it easier to track
 - Now there is a manufacturer who has a device that draws natural gas from the home supply and is converted into CNG and placed in the vehicle



Tax Compliance Issues

- Propane
 - Tracked fairly well now
- Hydrogen
 - Will have to wait for technology to perfect a production and delivery process to determine tax compliance issues



Tax Compliance Issues

- Electricity
 - Plug-In hybrid vehicles draw electricity for the batteries from regular power sources
 - How do you compute the electricity used?
 - If you determined a energy equivalent conversion factor for paying tax, who is going to pay? All users are registered, or does the power company charge and pay?



What Can We Do Now?

- See if fuels are in your state
 - Railroads
 - Industry trade publication lists of stations
 - Other state and federal agencies with information



What Can We Do Now?

- Are people using the fuels in my state?
 - DMV registrations
 - Outreach efforts
 - Anticipate the requests for information or need for forms or regulations



What Can We Do Now?

- Education,
 - Learn which alternative fuels are in production and which are planned for the future
 - Anticipate your reaction when you find previously unknown use
 - Visit websites that explain what the fuels are, where they are, and how much is being used.