

# API Update

September 21, 2009

## Agenda

- Federal Proposed Regulations re:  
Biodiesel and Alcohol Fuel Mixtures
- Highway Trust Fund Reauthorization
- Aviation Trust Fund Reauthorization
- Refinery Reporting

## Federal Proposed Regulations

- Recommendations for Biodiesel Fuel Mixtures
  - Eliminate certificate requirements
  - Removal of definition for agri-biodiesel
  - Definition of commingled biodiesel
  - Definition of excluded liquid

## Federal Proposed Regulations

- Recommendations for Alcohol Fuel Mixtures
  - Fuel ethanol producer certifies denaturant content
  - Definition of gasoline blend

## Highway Trust Fund Reauthorization

- Several extensions but what's next
- Another extension but how long?
- Is VMT in our future?
- Will a tax on futures transactions be a part of the funding?

## Aviation Trust Fund Reauthorization

- Several extensions but what's next
- Another extension but how long?
- Two rates of tax for kerosene?

# Refinery Reporting

## Background

- Industry collects and remits approximately \$40 billion in federal taxes each year
- Evasion hurts industry and we want to stop it
- IRS/Industry relationship

## TIGTA Report

- Motor fuel excise tax receipts total \$30billion to \$40billion annually
- Motor fuel excise tax evasion estimated to be from \$1billion to \$10billion annually
- Spent \$160million for the development of ExFIRS and compliance programs

## TIGTA Recommendations



- Implement refinery reporting
- Validate tax gap and compliance rate

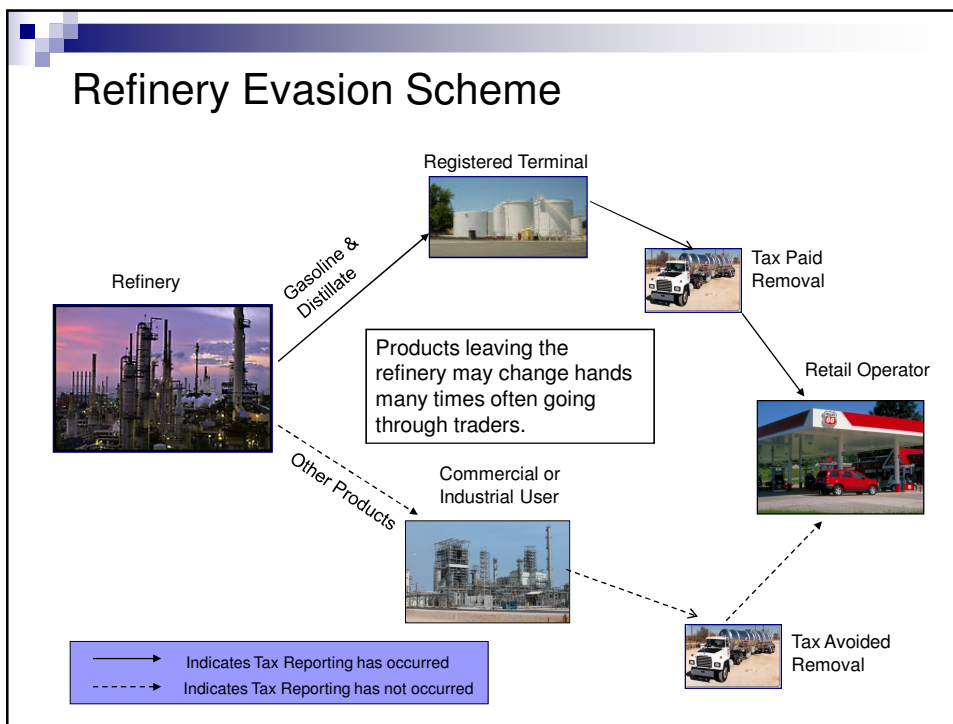
***“Until a valid estimate of the tax gap and compliance rate is identified, the IRS and the FHWA continue to risk inefficiently expending resources on initiatives that might not contribute to the reduction of the excise tax gap, not increase the compliance rate and not significantly increase Highway Trust Fund receipts.” page 5***

## Where is the Revenue?

- Per JCT revenue scoring, there is no revenue associated with refinery reporting
- Nominal evasion risk for taxable fuel leaving the refinery because it is primarily in the bulk system
- Nominal evasion risk for non-taxable liquids leaving refinery

## \$1 Billion Worth of Tax Evasion

	<b>Gasoline \$.184/gallon</b>	<b>Diesel Fuel \$.244/gallon</b>	<b>75% Gas, 25% Diesel</b>
Gallons Required	5,434,782,609	4,098,360,656	5,100,677,120
9,000 Gallon Tanker Trucks 	603,865	455,373	566,742
450,000 Gallon Fuel Barges 	12,077	9,107	11,335



## Refinery Yield Data

Product	Percentage
Finished Gasoline including Aviation	44.3%
Distillates including Jet Fuel and Kerosene	37.6%
Liquefied Refinery Gases	4.1%
Residual Fuel Oil	4.0%
Petrochemical Feedstock	2.5%
Lubricants	1.1%
Waxes	0.1%
Petroleum Coke	5.3%
Asphalt and Road Oil	2.7%
Still Gas	4.3%
Miscellaneous Products	0.5%
Processing Gain	(6.4%)

## Other Issues with Refinery Reporting

- Data overload
  - Inter-company transactions
  - Inability to match
- Other reporting needed to complete the audit trail
  - Sales to trading and petrochemical companies
- Data issues
  - Product codes
  - Data standards between industry and carriers

## Key API Messages on Refinery Reporting

- IRS should identify the tax gap as recommended in the TIGTA report
- IRS should identify the compliance gap as recommended in the TIGTA report
- Refinery reporting will result in a cost to taxpayers and the states with no corresponding revenue benefit



Where Are We Now?



Questions?