VPCGA
Virginia Petroleum Convenience and Grocery Assn.

GENERAL ASSEMBLY UPDATE

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Expansion of Local Fuels Tax to I-81 Jurisdictions Approved by Senate Committee

Under legislation by Senator Emmett Hanger of Augusta County, every jurisdiction bordering on Interstate 81 would impose a new tax on the wholesale price of motor fuels. We were the only one objecting to the passage of Senate bill 583, which passed the Senate Finance committee on a vote of 10-5 last night. If this bill were to pass and be signed by the Governor, approximately 75% of Virginia's population will live in an area that assesses the 2.1% tax on wholesale motor fuels. We objected to the bill as it would create a patchwork quilt of gasoline taxes in the state and assure that other jurisdictions including Southside, metropolitan Richmond, the Eastern Shore, the Middle Peninsula, and Northern Neck would be seeking similar authority in future sessions. We further argued that expansion of the wholesale tax would increase the possibility of tax evasion, impose additional administrative burdens on petroleum marketers, and discourage consumers from patronizing stations that will be required to charge a tax that is 6.7 cents higher than in jurisdictions without the added tax. There is no companion bill in the House but it is likely that the revenues of the Hanger bill will be inserted into the state budget, meaning that the fate of this issue will be decided behind closed doors in the waning days of the session.

House and Senate Bills Calculate Local Fuels Tax on Cents Per Gallon Basis

Both the House and Senate have advanced legislation that would impose a price floor on the 2.1 percent tax on motor fuels. **Importantly, after four years of effort, both branches have responded to our requests to amend how this tax is calculated by changing from a percentage of wholesale price to a cents per gallon basis**. The House wants to make incremental changes in the floor with taxes rising as wholesale prices increase to 3.19 per gallon. Whereas the Senate proposal would set the wholesale price floor at 3.19 effective July 1, 2018.

Mobile Fueling Killed

We are pleased to report that House bill 355 by Delegate David Reid has been killed for the year. We were joined in opposition to this bill by the Virginia Fire Chiefs Association and the Virginia Fire Prevention Association. We explained to legislators that Virginia's code specifically prohibits this practice and a new consensus revision to the the state's fire code bans mobile fueling except in emergencies. We were very disappointed when

Delegate Reid offered an amendment (found here) drafted by the Virginia Petroleum Council, which would have made Virginia the first state in the nation to legalize this risky practice. Since this bill in no way impacted refiners we remain perplexed why they became involved in this process. Despite this effort, this bill was defeated by a vote of 11-0.

Congress Passes Government Spending Bill; Includes Tax Extenders Package
From PMAA

Earlier this morning, Congress passed a 2-year, bipartisan budget deal to reopen the government which had partially shut down for a few hours overnight. President Trump quickly signed the bill into law. The budget bill includes a temporary funding measure, known as a Continuing Resolution (CR),
which funds the government until March 23, possibly giving Congress enough time to reach an agreement on a long-term funding deal. The bill also lifts the federal debt limit until March 2019. Furthermore, it raises spending caps on domestic and military spending in fiscal years 2018 and 2019 by $300 billion and will provide $90 billion in disaster relief funding in response to last year's hurricanes and wildfires.

Also included in the bill is a tax extenders package. **One tax provision important to petroleum marketers is a prospective renewal of the Oil Spill Liability Tax (OSLT) effective on March 1, 2018 through Dec. 31, 2018**. The 9 cents per barrel OSLT tax is imposed on crude oil at the refinery gate. Proceeds from the OSLT go into a trust fund used by the Coast Guard to pay for clean-up after accidents like oil spills. PMAA has been fighting against the tax being applied retroactively so this is welcome news to petroleum marketers. This is also good news because suppliers who continued to charge the tax even when it expired have indicated they will reimburse jobbers if the tax isn't applied retroactively. Click here to view a PMAA issue brief on the OSLT issue.
A second tax provision important to petroleum marketers includes a renewal of the $1 per gallon biodiesel blenders tax credit for tax year 2017 only. PMAA will have information on reimbursement specifics at a later date. Other credits of importance that were extended retroactively for 2017 are the tax credit for the installation of qualified alternative fuel vehicle refueling property in a home or business; the Alternative Fuels Excise Tax Credit for the use of propane as a transportation fuel, known as the "propane autogas tax credit,"; and the Section
25C tax credit for the installation of qualified high-efficiency residential HVAC systems and certain energy-saving home retrofits.

The bill's passage is a good sign for programs like the Low-Income Home Energy Assistance Program (LIHEAP) that PMAA has advocated for because there will likely not be as many cuts to domestic programs like LIHEAP. LIHEAP is important because it is vital in serving low income consumers of home heating fuel. Congress reinstated LIHEAP and Weatherization Assistance Program (WAP) funding in the FY 2018 budget and PMAA has been pushing for these programs
to be funded in the FY 2019 budget as well. The Trump Administration's budget request for FY 2019 is expected to be released next Monday, in which LIHEAP could be proposed for elimination as it was in 2018.

Part of the budget deal requires the Department of Energy (DOE) to sell 100 million barrels of oil from the Strategic Petroleum Reserve. Specifically, 30 million barrels are to be sold between fiscal 2022 and 2025, 35 million barrels in 2026, and another 35 million in 2027. Furthermore, DOE is required to sale $350 million worth of crude oil in fiscal 2018 to pay for modernizing the reserve fund.