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MOTOR FUEL TAX BULLETIN 2012-01

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RESPONSIBILITY FOR COLLECTION AND PAYMENT OF ALTERNATIVE FUELS TAX

This bulletin reminds all persons who are, or plan to be, engaged in the sale and/or use of alternative fuels in Pennsylvania of the licensing, tax, and reporting responsibilities related to alternative fuels.

I. HOW DOES PENNSYLVANIA DEFINE ALTERNATIVE FUELS?

Pennsylvania defines "alternative fuels" as including: natural gas, compressed natural gas (CNG), liquefied natural gas (LNG), liquid propane gas and liquefied petroleum gas (LPG), alcohols, gasoline alcohol mixtures containing at least 85% alcohol by volume, hydrogen, hythane, electricity, and any other fuel used to propel motor vehicles on the public highways which is not taxable as fuels or liquid fuels under Title 75. For taxation, each alternative fuel is converted to a gasoline gallon equivalent, and the tax rate applied to the gasoline gallon equivalent equals the current gas tax. Note that biodiesel is not an alternative fuel. Under Pennsylvania law, biodiesel is considered the same as petroleum-based diesel for purposes of taxation.

II. WHO IS RESPONSIBLE FOR REPORTING AND PAYING THE ALTERNATIVE FUELS TAX?

The point of taxation is at the retail or end-user level for alternative fuels. This is due to the fact that most alternative fuels have many uses other than as a fuel for propelling a vehicle on the public highways; therefore, until they are placed into a vehicle they do not qualify as an alternative fuel.

The Pennsylvania Vehicle Code, Title 75, defines an alternative fuel "dealer-user" as "any person who delivers or places alternative fuels into the fuel supply tank or other device of a vehicle for use on the public highways."

Alternative fuels are taxed at the rate of the Commonwealth's Liquid Fuels and Fuels Tax, plus the Oil Company Franchise Tax using a gasoline gallon equivalent calculation using a BTU conversion factor for each alternative fuel. The Department publishes revised tax rates each December for the following calendar year.

For 2012, the tax rates for alternative fuels are as follows:

Alternative Fuel	Rate of Conversion (BTU/gal of alternative fuel)	Amount Equivalent to One Gallon of Gasoline @ 114,500 BTU per gallon	Tax Rate per Gallon of Alternative Fuel
Ethanol	76,400	1.499	\$0.208
Methanol	56,560	2.024	\$0.154
Propane/LPG	83,500	1.371	\$0.228
E-85	80,460	1.423	\$0.219
M-85	65,350	1.752	\$0.178
Compressed Natural Gas (CNG)	29,000 @ 3,000 PSI	3.948	\$0.079
Liquefied Natural Gas (LNG)	66,640	1.718	\$0.182
Electricity	3,412 BTU / KWH	33.558 KWH	0.0093 / KWH

Examples (CNG)

- (1) The driver of a passenger vehicle refuels the vehicle at a retail CNG pump. The retailer (*e.g.*, owner of the pump) collects from the driver the alternative fuels tax of \$0.079 per “liquid gallon”¹ of CNG delivered to the passenger vehicle’s fuel supply tank. The retailer must report and pay this tax to the commonwealth. The retailer must hold a PA alternative fuels license.
- (2) A trucking company owns a fleet of CNG-powered vehicles. The company purchases CNG from a major gas pipeline and stores the gas in bulk storage tanks. As needed, trucks fill their CNG supply tanks from the CNG bulk tank. The trucking company, because it is placing an alternative fuel in to the supply tank of a vehicle for use on the highways, becomes an alternative fuel dealer-user. Accordingly, the trucking company must hold an alternative fuels license and report and pay the \$0.079 alternative fuels tax for each “liquid gallon” of CNG placed into its vehicles.

¹ **Conversion factors** – To convert CNG into liquid gallon equivalents, use the following formulas: (1) **CNG in standard cubic feet (scf.)**: Multiply CNG (scf.) units by 0.0314 to convert to liquid gallons; (2) **CNG in pounds (lbs.)**: Multiply CNG (lbs.) units by 0.7087 to convert to liquid gallons. Once the equivalent gallonage is determined, that amount is multiplied by the \$0.079 rate per gallon for CNG to determine the total tax amount.

III. WHO MUST BE LICENSED TO SELL AND/OR USE ALTERNATIVE FUELS IN PENNSYLVANIA?

Title 75 of the Vehicle Code requires that all alternative fuel dealer-users must be licensed in Pennsylvania. License application information can be found on the Department's website. Note that, generally, a retail purchaser of alternative fuels who uses the fuels for propelling a vehicle on the public highways does not require a license.

CONTACT INFORMATION

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