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Opponent Testimony – House Bill 26 Ohio House Finance Committee

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Testimony in Opposition of HB 26 Provision that Increases
Compressed Natural Gas (“CNG”) Motor Fuel Tax

Chairman Smith, Vice-Chair Ryan, Ranking Member Cera and members of the House Finance Committee, thank you for the opportunity to speak to you today House Bill 26, the 2018-2019 state transportation budget. My name is Matthew White, General Counsel of IGS Energy, I am testifying today in opposition to the provision in HB 26 that would increase the motor fuel tax on CNG to 28 cents a gallon.

- IGS CNGS Services is the largest CNG station owner in Ohio
- CNG is a budding industry that has great potential to bring many benefits to Ohio
- CNG is a cleaner, cheaper and a domestic energy source
- However, economies of scale have not developed yet, so cost of buying a CNG vehicle is higher than traditional diesel and gasoline
- HB 26 would impose an additional 28 cent per gallon tax on CNG
- While CNG has great potential, recent events have made it more difficult on the industry
 - Price of diesel dropped dramatically over the last 2 years
 - Federal tax credit of 50 cents per gallon recently expired
- Imposing an additional tax on CNG would cause great harm to the industry that is already facing economic headwinds
- CNG has less than 1% of market share for vehicles sold so raising the fuel tax would raise little money for the State
- Not only would raising the tax on CNG harm the industry, there are also issues of tax equity that need to be resolved before the motor fuel tax should apply to CNG

- For instance CNG pays the commercial activities tax (CAT) twice, once at the wholesale level when converting natural gas to CNG and then we pay the CAT tax on the retail level when selling CNG to the end use customer
- However, diesel and gasoline are not subject to the CAT tax – there was an exemption applied to these fuels to ensure they would only have to pay a gross receipts tax once
- So before applying the motor fuel tax, there would need to be a study of the issue to ensure the CAT or other similar gross receipts taxes are being applied equitably
- Also, there are currently other alternative fuel vehicles that are not paying the motor fuel tax in Ohio
- These issues of tax equity need to be worked out before the motor fuel tax should be charged to CNG
- **Recommendation**
 - Remove the provision that would apply the motor fuel tax to CNG in this transportation budget bill;
 - It simply is pre-mature to begin raising tax on CNG fuel at this juncture
 - The expedited nature of the transportation budget approval processes does not give time to study the impact of imposing the tax on the CNG industry, nor does it give us time to study the tax equity issues that need to be resolved to ensure CNG is not overly taxed.
 - *If* CNG gains market share, then begin the process of studying how to apply the motor fuel tax in a way that would not create an undue shock to the industry- such as a phase-in;

- Before applying the fuel tax we would need to ensure that all alternative fuel vehicles are paying the motor fuel tax equally, and that there is not a double retail tax on CNG through the CAT
- It would be unwise to now impose a tax on CNG in such an expedited manner without studying how the tax may harm the industry and without looking at the complexities of the tax code to ensure any tax is applied fairly
- This is especially true since such a tax would raise limited funds for the State.
- We have so much natural gas in Ohio and it would benefit Ohio greatly to develop a robust CNG industry
- Doing so helps the economy, keeps the air cleaner, and gives Ohioan's an affordable domestic fuel source so we are not sending our money to countries overseas