



STATE OF CONNECTICUT
DEPARTMENT OF REVENUE SERVICES

25 Sigourney Street Ste 2
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SN 2012(3)

SPECIAL NOTICE

2012 Legislation Capping the Petroleum Products Gross Earnings Tax on First Sales of Gasoline and Gasohol

Purpose: This Special Notice is intended to provide guidance in implementing the provisions of 2012 Conn. Pub. Acts 4 that “cap” the amount of the petroleum products gross earnings tax (“PPGET”) on first sales in Connecticut of gasoline and gasohol. Specifically, the new legislation mandates that, if the price of gasoline or gasohol at such first sale exceeds \$3.00 per gallon, the gross earnings from such sale is deemed to be \$3.00 per gallon and any consideration received in excess of that amount is not subject to the PPGET. This legislation otherwise makes no change with respect to the current method of calculating the PPGET.

Effective Date: 2012 Conn. Pub. Acts 4 takes effect on April 3, 2012, the date on which it was signed by Governor Malloy.

Statutory Authority: Conn. Gen. Stat. §12-587(a), as amended by 2012 Conn. Pub. Acts 4.

Background: Petroleum refining companies and distributors of petroleum products are subject to tax on their gross earnings derived from the first sales of petroleum products in this state. The tax on companies engaged in refining or distribution of petroleum products is currently imposed at the rate of 7% of gross earnings derived from the first sales of petroleum products in Connecticut.

Application of “Cap” Depends on the Sales Price of Gasoline or Gasohol Exclusive of Other Charges: 2012 Conn. Pub. Acts 4 caps the amount of petroleum products gross earnings tax on first sales in Connecticut of gasoline and gasohol. The PPGET is not a per gallon tax. In enacting the cap, however, 2012 Conn. Pub. Acts 4 specifically references “a price of gasoline or gasohol . . . in excess of three dollars per gallon.” Therefore, based

on the plain language of the statute, whether or not the “cap” applies is based solely on the per gallon sales price of the gasoline or gasohol exclusive of other charges.

Most distributors making first sales in Connecticut of gasoline or gasohol separately state the PPGET on their invoices to their customers. For those distributors, if the price per gallon of gasoline or gasohol is in excess of three dollars per gallon, the cap applies.

However, other distributors making first sales in Connecticut of gasoline or gasohol do not separately state the PPGET on their invoices to their customers. Their price of gasoline or gasohol includes the PPGET. In this context, the cap applies only if the price per gallon is in excess of \$3.225 per gallon. (\$3.225 per gallon is 1.07527 multiplied by \$3.00.)

New Schedules Developed for First Sales in Connecticut of Gasoline and Gasohol in Excess of \$3.00 per Gallon: The DRS has developed two new schedules to **Form OP-161, Petroleum Products Gross Earnings Tax Return**, which will be available on the DRS website.

Schedule A to Form OP-161 is to be completed and submitted to DRS with **Form OP-161** by distributors who, in making first sales in Connecticut of gasoline or gasohol, separately state the PPGET on their invoices to their customers.

Schedule B to Form OP-161 is to be completed and submitted to DRS with **Form OP-161** by distributors who, in making first sales in Connecticut of gasoline or gasohol do not separately state the PPGET on their invoices to their customers.

The following example is intended to illustrate the use of **Form OP-161, Schedule A** in connection with the first sale in Connecticut of gasoline or gasohol:

Example A: Distributor X sells 100,000 gallons of gasohol during the second quarter of 2012. Distributor X separately states the PPGET on its invoices to its customers. Distributor X charges \$3.07 per gallon during the second quarter of 2012. Because the price of the gasohol exceeds \$3.00 per gallon, Distributor X is required to complete Schedule A. The instructions for Line 1 of Schedule A require the distributor to enter the total gallons from first sales in Connecticut of gasohol and gasoline, and the total price of those gallons exclusive of tax, where the price per gallon exceeds \$3.00 per gallon. Distributor X will enter "100,000" on Line 1, Column A, of Schedule A, and "\$307,000" on Line 1, Column C, of Schedule A. The instructions for Line 2 of Schedule A require Distributor X to enter the total gallons from Line 1, Column A, and to multiply those total gallons by \$3.00 per gallon. Distributor X will enter "100,000" on Line 2, Column A, and "\$300,000" on Line 2, Column C. The instructions for Line 3 of Schedule A require Distributor X to subtract the amount in Line 2, Column C (\$300,000) from the amount in Line 1, Column C (\$307,000). Distributor X will enter "\$7,000" on Line 3, Column C, and will also enter this amount on **Form OP-161**, Line 22.

The following example is intended to illustrate the use of **Form OP-161, Schedule B** in connection with the first sale in Connecticut of gasoline or gasohol:

Example B: Distributor Y sells 100,000 gallons of gasohol during the second quarter of 2012. Distributor Y does not separately state the PPGET on its invoices to its customers. Distributor Y charges \$3.30 per gallon during the second quarter of 2012. Because the price of the gasohol exceeds \$3.225 per gallon, Distributor Y is required to complete Schedule B. The instructions for Line 1 of Schedule B require Distributor Y to enter the total gallons from first sales in Connecticut of gasohol and gasoline, and the total price of those gallons, where the price per gallon exceeds \$3.225 per gallon. Distributor Y will enter "100,000" on Line 1, Column A, of Schedule B, and "\$330,000" on Line 1, Column C, of Schedule B. The instructions for Line 2 of Schedule B require Distributor Y to enter the total gallons from Line 1, Column A, and to multiply those total gallons by \$3.225 per gallon. Distributor Y will enter "100,000" on Line 2, Column A, and "\$322,500" on Line 2, Column C. The instructions for Line 3 of Schedule B require Distributor Y to subtract the amount in Line 2, Column C (\$322,500) from the amount in Line 1, Column C (\$330,000). Distributor Y will enter "\$7,500" on Line 3, Column C, and will also enter this amount on **Form OP-161**, Line 22.

Revised Form OP-161: DRS is currently revising **Form OP-161, Petroleum Product Gross Earnings Tax Return**, which is to be mailed or e-mailed to taxpayers in time for the June 2012 filing period.

DRS Enforcement of 2012 Conn. Pub. Acts 4 prior to April 15, 2012: The new legislation also allows the Commissioner of Revenue Services to suspend, until no later than April 15, 2012, enforcement of the tax provisions contained in 2012 Conn. Pub. Acts 4 so that policies and procedures necessary to implementation can be in place.

In consideration of this, DRS **will not** impose tax penalties or take other enforcement action related to good faith efforts to implement the pricing requirements in this legislation on or before April, 15, 2012. For a reasonable period of time thereafter, not to extend beyond July 15, 2012, evidence of technical impracticability despite good faith efforts will be considered by the Commissioner of Revenue Services in mitigation of interest or penalties that may be assessed for non-compliance with the provisions of 2012 Conn. Pub. Acts 4.

For More Information on the Petroleum Products Gross Earnings Tax: Call the Excise Taxes Unit at **860-541-3224** during business hours Monday through Friday, 8:30 a.m. to 4:30 p.m.

Effect on Other Documents: None affected.

Effect of This Document: A Special Notice announces a new policy or practice in response to changes in state or federal laws or regulations or to judicial decisions. A Special Notice indicates an informal interpretation of Connecticut tax law by the DRS.

Forms and Publications: Visit the DRS website at **www.ct.gov/DRS** to download and print Connecticut tax forms and publications.

Paperless Filing/Payment Methods (fast, easy, free, and confidential):

Business and individual taxpayers can use the **Taxpayer Service Center (TSC)** at **www.ct.gov/TSC**

to file a variety of tax returns, update account information, and make payments online.

File Electronically: You can choose to get first-time filer information and filing assistance, or can log directly into the *TSC* to file returns and pay taxes.

Pay Electronically: You can pay taxes for tax returns that cannot be filed through the *TSC*. Log in and select the **Make Payment Only** option. Designate a payment date up to the due date of the

tax and mail a paper return to complete the filing process.

DRS E-Alerts Service: Get connected to the latest news from DRS. Receive notification by email of changes to legislation, policies, and procedures. **DRS E-Alerts** provide information for employer's withholding tax, News – Press Releases, and Top 100 Delinquency List. Visit the DRS website at www.ct.gov/DRS and select e-alerts from the left navigation bar.

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Miscellaneous
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