



STATE OF SOUTH CAROLINA
DEPARTMENT OF REVENUE

300A Outlet Pointe Blvd., Columbia, South Carolina 29210
P.O. Box 12265, Columbia, South Carolina 29211

SC REVENUE RULING #18-2

SUBJECT: Compressed Natural Gas, Liquefied Natural Gas, and Liquefied Petroleum Gas Conversion to Gallon Equivalents (Motor Fuel User Fee)

EFFECTIVE DATE: July 1, 2017

SUPERSEDES: SC Revenue Ruling #16-1 and all previous advisory opinions and any oral directives in conflict herewith.

REFERENCES: S.C. Code Ann. Section 12-28-110 (Supp. 2017)
S.C. Code Ann. Section 12-28-310 (2014; Supp. 2017)
S.C. Code Ann. Section 12-28-970 (2014)
S.C. Code Ann. Section 12-28-2355 (2014)

AUTHORITY: S.C. Code Ann. Section 12-4-320 (2014)
S.C. Code Ann. Section 1-23-10(4) (2005)
SC Revenue Procedure #09-3

SCOPE: The purpose of a Revenue Ruling is to provide guidance to the public. It is an advisory opinion issued to apply principles of tax law to a set of facts or general category of taxpayers. It is the Department's position until superseded or modified by a change in statute, regulation, court decision, or another Department advisory opinion.

PURPOSE

The purpose of this advisory opinion is to update SC Revenue Ruling #16-1 to address the increase in the motor fuel user fee as part of Act No. 40 of 2017, "The South Carolina Infrastructure and Economic Development Reform Act." The Act increased the motor fuel user fee over six years from sixteen cents per gallon to twenty-eight cents per gallon. The increase will be fully implemented on July 1, 2022.

Since the motor fuel user fee is imposed on a per-gallon basis, this advisory opinion also addresses the codification by the General Assembly of various conversion factors previously approved by the Department in SC Revenue Ruling #16-1. These conversion factors are used to calculate the one gallon equivalent of various gases used in producing or generating power for propelling a motor vehicle.

QUESTION

How is the motor fuel user fee calculated on compressed natural gas, liquefied natural gas, and liquefied petroleum gas (propane) used in a motor vehicle?

LAW AND DISCUSSION

Code Section 12-28-310 imposes the motor fuel user fee and reads, in part:

(A) Subject to the exemptions provided in this chapter, a user fee of sixteen cents a gallon is imposed on:

(1) all gasoline, gasohol, or blended fuels containing gasoline that are used or consumed for any purpose in this State; and

(2) all diesel fuel, substitute fuels, or alternative fuels, or blended fuels containing diesel fuel that are used or consumed in this State in producing or generating power for propelling motor vehicles.

* * *

(D) On July 1, 2017, and each July first thereafter until after July 1, 2022, the department shall permanently increase the amount of the user fee imposed pursuant to subsection (A) by two cents, for a total of twelve cents. All the funds raised by the increase in the motor fuel user fee imposed by this subsection must be credited to the Infrastructure Maintenance Trust Fund.

Code Section 12-28-970 imposes a “back-up” user fee on certain fuels and reads:

(A) A backup user fee equal to the user fee imposed by Section 12-28-310 is imposed and must be administered in accordance with procedures established by the department on the use on the highways of motor fuel subject to the user fee by an end user, including operators of state and local government vehicles, American Red Cross vehicles, and buses, and other persons exempted from the full federal highway tax, unless the person is exempted otherwise under Section 12-28-710(12), upon the delivery in this State into the fuel supply tank of a highway vehicle of:

* * *

(3) alternative fuels; ...

* * *

(B) The ultimate vendor of motor fuel subject to the user fee is jointly and severally liable for the user fee imposed by subsection (A) if the ultimate vendor knows or has reason to know that the motor fuel, as to which the user fee imposed by this chapter has not been paid, is or will be consumed in a nonexempt use.

Code Section 12-28-110 contains the following definitions:

(1) "Alternative fuel" means a liquefied petroleum gas, liquefied natural gas, compressed natural gas product, or a combination of liquefied petroleum gas and a compressed natural gas product used in an internal combustion engine or motor to propel any form of vehicle, machine, or mechanical contrivance. It includes all forms of fuel commonly or commercially known or sold as butane, propane, liquefied natural gas, or compressed natural gas.

* * *

(73) "Diesel gallon equivalent" or "DGE" means the amount of liquefied natural gas containing the same energy content as one gallon of diesel. For purposes of calculating the motor fuel user fee on liquefied natural gas that is used or consumed in this State in producing or generating power for propelling a motor vehicle, each 6.06 pounds of liquefied natural gas equals one gallon of motor fuel.

(74) "Gasoline gallon equivalent" or "GGE" means the amount of compressed natural gas or liquefied petroleum gas containing the same energy content as one gallon of gasoline. For purposes of calculating the motor fuel user fee on compressed natural gas or liquefied petroleum gas that is used or consumed in South Carolina in producing or generating power for propelling a motor vehicle, each 126.67 cubic feet of compressed natural gas, or 5.66 pounds if the compressed natural gas is dispensed via a mass flow meter, equals one gallon of motor fuel and each gallon of liquefied petroleum gas equals .73 of a gallon of motor fuel.

Based on the above, when used in a motor vehicle, compressed natural gas, liquefied natural gas, and liquefied petroleum gas (propane) are alternative fuels subject to the motor fuel user fee under Code Section 12-28-310 or the "back-up" user fee under Code Section 12-28-970.

CONCLUSION

For the purpose of calculating the motor fuel user fee on compressed natural gas, liquefied natural gas, or liquefied petroleum gas that will be used or consumed in South Carolina in producing or generating power for propelling a motor vehicle, the following conversion factors to a "gallon equivalent" are provided in Code Section 12-28-110:

- Compressed Natural Gas: Each 126.67 cubic feet (or 5.66 lbs. if dispensed via a mass flow meter) equals one gallon of motor fuel.

- Liquefied Natural Gas: Each 6.06 lbs. equals one gallon of motor fuel.
- Liquefied Petroleum Gas (Propane): Each gallon equals 0.73 of a gallon of motor fuel.

For additional information, please contact the Department's Motor Fuel Section at (803) 896-1990.

SOUTH CAROLINA DEPARTMENT OF REVENUE

s/W. Hartley Powell
W. Hartley Powell, Director

May 2 _____, 2018
Columbia, South Carolina