

Department of Legislative Services
Maryland General Assembly
2003 Session

FISCAL AND POLICY NOTE

Senate Bill 97

(Chairman, Budget and Taxation Committee)
(By Request – Departmental – Comptroller)

Budget and Taxation

Ways and Means

Motor Fuel Tax - Special Fuels - Tax Payment

This departmental bill clarifies that special fuel containing dye and sold for uses other than in a licensed motor vehicle is not subject to the motor fuel tax.

Fiscal Summary

State Effect: None. The bill clarifies existing State policy.

Local Effect: None.

Small Business Effect: The Comptroller's Office estimates that the bill will have minimal or no effect on small business (attached). Legislative Services concurs with this assessment.

Analysis

Current Law: It is currently prohibited to use dyed diesel fuel in a vehicle on a highway or sell it for that purpose, with enumerated penalties for such a sale. The sale of dyed fuel, however, is not specifically exempted from the tax, even though such a sale is prohibited.

Background: Diesel motor fuel is chemically identical to certain types of home heating fuel. Home heating fuel, however, is exempt from federal and State motor fuel taxes, while diesel motor fuel is subject to those taxes. Dye is added to home heating fuel to distinguish it from diesel motor fuel. To deter tax evasion, in 1993 the federal

government prohibited the use of dyed diesel fuel on public highways. The Comptroller's Office inspects for compliance with State and federal law and informs the federal government of any violations.

Chapter 145 (SB 287) of 2002 created a parallel State ban by prohibiting the use of dyed diesel fuel in a vehicle on a highway and prohibiting the sale or delivery of dyed diesel fuel from a retail pump unless notification requirements regarding the dyed fuel are met. The new law allows the Comptroller to detain a motor vehicle to inspect and test diesel fuel for compliance with the statute. A violation of the bill is a misdemeanor subject to a fine not exceeding \$1,000 and imprisonment not exceeding one year, or both. In addition to these misdemeanor penalties, the bill provides for additional monetary penalties to be assessed by the Comptroller.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Comptroller's Office, Department of Legislative Services

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ncs/jr

Analysis by: Matthew D. Riven

Direct Inquiries to:
(410) 946-5510
(301) 970-5510