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### HOUSE GOP RELEASED COMPREHENSIVE TAX REFORM PLAN

Yesterday, House Republicans released a tax reform plan which would include the biggest cuts and changes in 30 years. The House plan would reduce the number of total individual rates from seven to four (12 percent, 25 percent and 35 percent) and the top rate would remain at 39.6 percent for high-income Americans. The corporate rate would be reduced from 35 to 20 percent while pass-through businesses' tax rate would be reduced to 25 percent. The majority of small businesses are organized as pass-throughs meaning that profits are passed on to the owner and reported on his/her individual tax return.

PMAA has argued for a competitive tax rate for pass-throughs and is currently reviewing the pass through provision.

Some of the highlights of the GOP Tax Reform Plan important to petroleum marketers include:

- **Doubles the estate tax (death tax) exemption to roughly \$11 million, from \$5.49 million, and eventually repeals the estate tax altogether, phasing it out entirely in six years.** PMAA supports repealing the death tax.
- **Preserves the step-up in basis** on property transferred during an estate settlement which is good news for petroleum marketers. Under current law, family members who inherit a business take the business at its value as of the date of the original owner's death. However, if the step-up in basis were eliminated, the family members would be required to pay capital gains taxes on the original owners' gains in the business. Due to the detrimental effects it would have on businesses, PMAA opposed any attempt to repeal the step-up in basis.
- **Preserves the inventory accounting method, last in, first out (LIFO)**, which is good news for marketers. LIFO takes into account the costs of replacing inventory, thereby, giving a more accurate measure of the financial condition of the business and the economic income to which tax should apply. Repealing LIFO would force PMAA member companies currently using this method to report their LIFO reserves as income, resulting in a massive tax increase for small business petroleum marketers across the country.
- **Increases Section 179 expensing limitation** to \$5 million and the phase-out amount would be increased to \$20 million while modifying the definition of section 179 property to include qualified energy efficient heating and air-conditioning property would be effective for property acquired and placed in service after November 2, 2017.
- **Preserves Section 1031 exchanges of like-kind property** which is good news for petroleum marketers. Without the tax-deferral benefit that Section 1031 exchanges provide, small and medium sized businesses would not be as equipped to reinvest in their businesses and real estate values would decline.
- **Eliminates the electric vehicle tax credit of up to \$7,500** that's currently offered to buyers of vehicles such as the Tesla Model 3, Chevrolet Bolt and Nissan Leaf. Currently, this tax credit is available until 200,000 qualified EVs have been sold in the United States by each manufacturer, at which point the credit begins to phase out for that manufacturer. Currently, no manufacturers have been phased out yet.

Most of these bullet points listed above were addressed in a PMAA [letter](#) to Senate Finance Committee Chairman Orrin Hatch (R-UT) regarding his request for stakeholder comments on overhauling the tax code.

Republicans are hoping to move the bill, known as the "Tax Cuts and Jobs Act," quickly through the House. The House Ways and Means Committee is expected to take up the legislation next week. House Republicans are aiming to forward it on to the Senate later this month while Senate Republicans are working on their own plan they would like to release next week. Lawmakers are hoping to put a final comprehensive tax bill on President Trump's desk before Christmas.

### EPA SENDS 2018 RFS VOLUMES TO OMB

The proposed 2018 biofuel volumes for the RFS have been submitted by the EPA to the Office of Management and Budget (OMB), which puts the agency on track to issue the mandates by the November 30 deadline. The OMB reviews all proposed federal regulations and can recommend changes where necessary. The RFS proposed rule maintains the current 15-billion-gallon ethanol mandate for 2018 and reduces the current 311-million-gallon cellulosic biofuel volumetric blending mandate to 238 million gallons for 2018. This mandate covers fuel considered the "next generation" ethanol and maintains the current 2018 biomass-based diesel volumetric blending mandate of 2.1 billion gallons for 2019. This mandate covers biodiesel most often made from soybeans, vegetable fats and animal fats.

In August, PMAA participated in an EPA public hearing on the RFS. PMAA Executive Committee member Vern Kelley (Kelley Fuels, Shakopee, Minnesota), who is a petroleum marketer and a corn farmer, highlighted to policymakers that very few existing UST system components have been certified to handle E10 plus blends. Kelley said that marketers have no practical way to demonstrate existing underground storage tank (UST) systems are compatible with ethanol blends greater than E10 - a key legal hurdle. Click [here](#) to read Kelley's testimony. Also testifying before the EPA was former PMAA Chair

Matt Bjornson. Matt testified on behalf of the North Dakota Petroleum Marketers Association (NDPMA) which represents over 240 independent companies and co-operatives. Click [here](#) to read Matt's testimony.

The RFS has turned into the biggest political fight in town. After an uprising from Midwestern Senate Republicans regarding potential reductions in biofuel quotas for the RFS, EPA Administrator Scott Pruitt responded in a letter assuring them that he would no longer consider cutting biofuel quotas in the RFS. Several Senators outside of the Midwest responded with a letter to President Trump insisting that he meet them as well as the Midwestern Senators within the next three weeks in order to work out an agreement to reduce RIN values which are negatively impacting refiners and some independent petroleum marketers who are unable to take advantage of blending above the terminal rack.

PMAA is disappointed with the EPA Administrator's letter to Midwestern Senators because higher ethanol blends may lead to a de facto E15 mandate and set off a chain of events, resulting in a significant disruption of the nation's gasoline distribution and supply chain and skyrocketing prices at the pump. The vast majority of the nation's retail outlets, 95 percent of which are owned by independent petroleum marketing businesses, cannot legally store and dispense blends of gasoline over 10 percent ethanol. Existing equipment is certified for a maximum E10 blend. Currently, there is no viable way for UST system operators to demonstrate that existing equipment is compatible with gasoline blends over E10.

The battle is not over as PMAA plans to meet with the OMB to reduce the RFS's impact on small business petroleum marketers.

### **REGULATORY REMINDER: ULSD AND HEATING OIL PRODUCT TRANSFER DOCUMENTS AND DISPENSER LABEL REQUIREMENTS**

The EPA ultralow sulfur diesel standard (ULSD) concluded an 8-year phase-in period in September 2014. The final stage in the program means that only 15-ppm dyed non-road diesel fuel and 15-ppm clear highway diesel fuel may be used. Some higher sulfur distillates remain for locomotive and marine engines as well as heating oil. The final phase-in made a few changes to diesel fuel product transfer document (PTD) notice and dispenser labels requirements that marketers must follow.

The regulatory changes primarily involved elimination of PTD language and dispenser labels for 500-ppm diesel fuel. However, new language was added for ECA 1000-ppm marine fuel along with a general requirement to include the sulfur content of the fuel on all PTD language, including heating oil delivery tickets— a practice most heating oil dealers already follow. Finally, the EPA 15ppm ULSD dispenser label is no longer required, but may be used voluntarily.

The following PTD language is required unless otherwise indicated. Please note that EPA approved a number of alternative language requirements for PTDs. If you are using the alternative language you may continue to do so.

#### *EPA ULSD Product Transfer Documents Requirements:*

PTD requirements apply on each occasion any person transfers custody or title to MVNRLM diesel fuel, heating oil, or ECA marine fuel except when such fuel is dispensed into motor vehicles or non-road engines, locomotives, marine diesel engines or C3 vessels.

- *Dyed Heating Oil - Beginning June 1, 2007 and Thereafter (Including Delivery Tickets to Customers):*
- Required on heating oil PTDs, shipping papers, bills of lading and delivery tickets anytime a person transfers custody or title of heating oil (**including** transfers to residential and wholesale purchaser-consumers):

*"XXXX"\* ppm sulfur (maximum) Heating Oil. Not for use in highway vehicles or engines or nonroad, locomotive, or marine engines."*

\*XXXX – fill in the applicable sulfur content or sulfur range; ex 15-PPM sulfur (maximum), 500-ppm sulfur (maximum), 1000-ppm sulfur maximum etc.

- *ECA Marine Fuel – Beginning June 1, 2014 and Thereafter:*  
*"1,000 ppm sulfur (maximum) ECA marine fuel. For use in Category 3 marine vessels only. Not for use in engines not installed on C3 marine vessels."*
- *Dyed 500-ppm Locomotive and Marine Diesel Fuel - Beginning June 1, 2010 and Thereafter:*  
*"500 ppm sulfur (maximum) Dyed Low Sulfur Locomotive and Marine diesel fuel. Not for use in highway or other non-road vehicles and engines."*
- *Undyed 15-ppm Sulfur Diesel Fuel - Beginning June 1, 2006 and Thereafter:*  
  
*"15 ppm sulfur (maximum) Undyed Ultra-Low Sulfur Diesel Fuel. For use in all diesel vehicles and engines."*
- *Dyed 15-ppm Sulfur Diesel Fuel - Beginning June 1, 2006 and Thereafter:*

*"15 ppm sulfur (maximum) Dyed Ultra-Low Sulfur Diesel Fuel. For use in all nonroad diesel engines. Not for use in highway vehicles or engines except for tax-exempt use in accordance with section 4082 of the Internal Revenue Code."*

### **EPA ULSD DISPENSER LABEL REQUIREMENTS**

Since 500-ppm diesel fuel for highway and non-road vehicles is no longer allowed under the ULSD program, the EPA eliminated the use of 500-ppm dispenser labels after September 30, 2014. In addition, the 15-ppm highway diesel fuel label was eliminated as of November 1, 2014 (the 15-ppm dyed diesel fuel dispenser label was discontinued in 2012). Marketers who wish to maintain the 15-ppm diesel fuel labels may do so voluntarily.

The following dispenser labels are no longer required after the applicable date:

- *15-ppm ULSD – No Longer Required After November 1, 2014:  
"ULTRA-LOW SULFUR HIGHWAY DIESEL FUEL (15 ppm Sulfur Maximum)  
Required for use in all highway diesel vehicles and engines.  
Recommended for use in all diesel vehicles and engines."*

The following dispenser labels are permanent and must be maintained:

- *500 ppm Locomotive and Marine Diesel Fuel - Beginning June 1, 2010 and Thereafter:  
"LOW SULFUR LOCOMOTIVE AND MARINE DIESEL FUEL (500 ppm Sulfur Maximum)  
WARNING  
Federal law prohibits use in nonroad engines or in highway vehicles or engines."*
- *Heating Oil – Beginning June 1, 2007 and Thereafter:  
"HEATING OIL (May exceed 500-ppm Sulfur)  
WARNING  
Federal Law Prohibits use in Highway Vehicles or Engines, or in non-road, locomotive or marine diesel engines. Its use may damage these diesel engines."*

**IMPORTANT!** The following IRS dispenser labels are still required:

- "DYED KEROSENE, NONTAXABLE USE ONLY, PENALTY FOR TAXABLE USE"
- "UNDYED UNTAXED KEROSENE, NONTAXABLE USE ONLY PENALTY FOR TAXABLE USE"
- "DYED DIESEL FUEL, NONTAXABLE USE ONLY, PENALTY FOR TAXABLE USE"

**IMPORTANT!** It is important to remember that the sulfur content of heating oil remain unregulated under federal law. However, some states have already transitioned to 15-ppm heating oil while others plan to switch over in the next several years.

Got Questions? Contact Mark S. Morgan, PMAA Regulatory Counsel at: [mmorgan@pmaa.org](mailto:mmorgan@pmaa.org)

### **PMAA SIGNS JOINT INDUSTRY LETTER ON MAINTAINING BIODIESEL TAX CREDIT AT BLENDER LEVEL**

Earlier this week, PMAA, along with like-minded groups, sent a letter to Senate Finance Committee Chairman Orrin Hatch (R-UT) and ranking member Ron Wyden (D-OR) supporting efforts to extend the \$1 per gallon biodiesel blenders' tax credit, and ultimately, phasing it out over five years. The letter also highlighted why moving the credit to the producer level would be harmful to petroleum marketers. The \$1 per gallon biodiesel blender's tax credit has been part of U.S. energy tax policy since 2005, but expired on December 31, 2016. Click [here](#) to read the letter and [here](#) to send a letter to Congress in support of extending the biodiesel blender's tax credit.

### **PASSING OF CARL BAILEY, FORMER NEVADA MARKETER**

We are saddened to announce the recent passing of Carl Bailey, former owner of Rebel Oil Company, In Las Vegas, Nevada. Carl passed away at his home on Saturday, October 28, 2017. Carl was a private person and one of the hardest working men you would ever meet.

Carl met Jack Cason in the early 1950's when they worked together at Jones Brothers Retail Gas Station in Las Vegas. Together they formed Rebel Oil Company. Mr. Cason described Carl as the most honest and hard-working man he knew. He said that Carl never wanted anyone to outwork him and his integrity was beyond reproach. Carl and Jack had a great working relationship for over 50 years before Carl retired in 2008.

Gregg Benson of Rebel Oil wrote: "Carl was the first person in the office every day and the last one to leave. When it came to business, customer service was always his top priority. He was a family man that treated his employees like family. . . He was very successful in life, but he was always just one of us. He was a true example of a man not affected by money."

Carl was married to his wife, Audrey, for over 60 years and they have three children; Melinda, Melanie and Stewart. He was a proud grandparent to seven grandchildren and two great-grandchildren. Currently, no funeral or memorial services are planned.

Carl Bailey will be missed and admired by many people for years to come.

### **BOOK YOUR ROOM NOW FOR THE 2018 WPMAEXPO**

Our hotel block for the 2018 WPMAEXPO is open and available at \$149/night until November 16, 2017.

You have two ways to book rooms:

- Through our website here: <http://www.wpma.com/national-convention/hotel>
- Or call The Mirage directly at 800-627-6667 using WPM18A for the early bird rate.

**We do not have a company representing us for room booking. Please do not book hotel rooms with a third-party company. Booking with a third-party company is at your own risk. You should only book your room through the WPMA web site or by calling the Mirage directly using the WPMA code above.**

## **PLAN TO ATTEND THE 2018 WPMAEXPO**

# **WPMAEXPO**

Mark your calendars for February 20-22, 2018. Make plans now to attend the 2018 WPMAEXPO. It will be held once again at the Mirage in Las Vegas, Nevada.

#wpmaexpo18

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### **MARK YOUR CALENDARS FOR UPCOMING EVENTS**

**February 20-22, 2018** – WPMA Convention & Expo – Mirage Hotel– Las Vegas, Nevada

**May 3-4, 2018** – NPM&CSA Big Dogs – Red Rock Casino – Las Vegas, Nevada

**June 5-7, 2018** – MPMCSA Convention & Expo – Fairmont, MT

**June 18-21, 2018** – Washington (WOMA) Convention – Suncadia Resort – Cle Elum, Washington

**August 8-10, 2018** – Idaho (IPM&CSA) Convention – Coeur d'Alene Resort – Coeur d'Alene, Idaho

**August 20-22, 2018** – New Mexico (NMPMA) Convention – Sandia Resort & Casino, Albuquerque, NM

**September 12-14, 2018** – Utah (UPMRA) Convention – Doubletree by Hilton, Park City, UT

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**Petro Pete: "I was going to look for my missing watch, but I could never find the time."**

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