WPMA
News and Information for the Petroleum Marketers Industry
weekly update

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EPA ISSUES FINAL 2020 RFS BLENDING VOLUMES

Yesterday, the EPA released the annual renewable fuel blending volume obligations (RVOs) for 2020 as required under the RFS program. The 2020 corn ethanol blending mandate will remain at the 15 billion-gallon maximum statutory limit set by Congress. Biodiesel RV0s for 2021 were set last year at 2.43 billion gallons and remain unchanged. The EPA increased requirements for cellulosic ethanol blending by 9 percent to 590 million gallons, bringing the total 2021 advanced biofuel requirement to 5.09 billion gallons. In addition, the rule, EPA said it would once again use its general waiver authority to lower the volumes of cellulosic biofuels, advanced biofuels, and total renewable fuels below the statutory targets.

Also included in the final rule is a new provision that requires large refiners to recapture blending volumes lost to small refiner exemptions (SREs) from RFS. The EPA issued 85 SREs for the 2016-2018 compliance years, reducing the statutory RVO blend volume by 4.04 billion gallons. Previously, the EPA had no mechanism to recapture and reassign lost volumes.

Under the new rule, the Agency will not recapture and reassign ***actual*** renewable blending volumes lost to SREs in any given year. Instead, the EPA will project an ***estimated*** displaced volume based on the Department of Energy's (DOE) SRE recommendations averaged over the previous three years. The EPA's calculation will include displaced volume from partial waivers recommended by the DOE in the past even though the agency issued only full waivers to small refiners. Renewable fuel producers oppose the EPA formula because it will result in far fewer recaptured gallons than actually displaced by small refinery exemptions.

In related news, the EPA withdrew a rule that would have reset the statutory RFS blend volumes established by Congress. The EPA has the authority to reset RVOs if it misses the statutory volumes by more than 20 percent for two consecutive years. Renewable fuel producers supported the reset because it opened the possibility to increase the RVO for corn ethanol past the current 15 billion-gallon maximum limit while refiners hoped for the opposite.

Annual RVO Comparison Chart							
	2015	*2016*	*2017*	*2018*	*2019*	***2020***	***2021***
Cellulosic biofuel	*123 m/gal*	*230 m/gal*	*311 m/gal*	*288 m/g*	*420 m/g*	***590 m/g***	***n/a***
Biomass-based diesel	*1.73 b/gal*	*190 b/gal*	*2.0 b/gal*	*2.1 b/g*	*2.1 b/g*	***2.43 bill gal***	***2.43 bill gal***
Advanced biofuel	*2.88 b/gal*	*3.61 b/gal*	*4.28 b/gal*	*4.29 b/g*	*4.92 b/gal*	***5.04 bill gal***	***n/a***
Total renewable fuels	*16.93 b/gal*	*18.1 b/gal*	*19.28 /gal*	*19.29 b/g*	*19.2 b/g*	***20.04 bill gal***	***n/a***

CONGRESS APPROVES TAX EXTENDERS/GOVERNMENT SPENDING PACKAGE

Biodiesel Credit is In and EV Credit is Out!
Tobacco21 in Spending Bill

This week, Congress approved a $1.4 trillion government spending bill along with a tax extender's package which included **a retroactive extension of the $1 per gallon biodiesel blender's tax credit through December 31, 2022.** The White House is expected to sign the legislation into law today. A retroactive multiyear extension of the biodiesel blender's tax credit is a significant win for PMAA, NATSO, NBB, NACS, NEFI, SIGMA and the Advanced Biofuels Association.

Additionally, in a major victory for PMAA, the **tax extenders package does not include an extension of the $7,500 electric vehicle tax credit.** PMAA adamantly opposed the EV tax credit extension during its "DC Conference/Day on the Hill" and also wrote in opposition earlier this year. According to a recent study, the EV tax credit alone would cost taxpayers as much as $15.7 billion, and it would only benefit a few companies who have already hit their EV targets as well as individuals making over $100,000 per year. The Trump Administration warned lawmakers if they tried to include

the EV credit in the extenders package, it could kill the whole deal.

Also included in the tax extenders/gov't spending package:

- **The legal tobacco purchasing age would be raised to 21.**
- **The Oil Spill Liability Tax (OSLT) would be renewed on a prospective basis through December 31, 2020.** The nine cents per barrel OSLT tax is imposed on crude oil at the refinery gate. Proceeds from the OSLT go into a trust fund used by the Coast Guard to pay for clean-up after accidents like oil spills. The effective date of the OSLT would apply on and after the first day of the first calendar month beginning after the enactment date of the tax extenders package. This represents a victory for PMAA after it urged Congress earlier this year to renew the OSLT on a prospective basis rather than making it retroactive.

- **The Alternative Fuel Infrastructure tax credit would be retroactively renewed through December 31, 2020.** Specifically, fueling equipment for natural gas, propane, liquefied hydrogen, electricity, E85, or diesel fuel blends containing a minimum of 20% biodiesel installed from December 31, 2017 through December 31, 2020, is eligible for a tax credit of 30% of the cost, not to exceed $30,000.

- **The residential energy efficiency tax credit would be retroactively renewed through December 31, 2020** for water heaters, furnaces, boilers, heat pumps, building insulation, windows and roofs.

- The "Setting Every Community Up for Retirement Enhancement (SECURE) Act of 2019" is also included which is comprised of a number of relatively small improvements which taken together should improve the qualified retirement plan system. The Small Business Legislative Council will have a full report later.

- **Permanent repeal of Obamacare's "Cadillac tax" on high-cost employer health plans, as well as the health insurance tax and medical device tax** which were originally approved as part of the healthcare law to fund its coverage expansion.

- Wind production tax credit would get one-year extension at existing rates

The tax extender/government spending passage marks the end of a busy month in Washington, DC. Last week, Congressional leaders and the White House agreed to a new US/Mexico/Canada trade agreement and the White House struck a tentative trade deal with China.

IDAHO FUNERAL FOR FINAL THREE HANSEN FAMILY MEMBERS SCHEDULED

The funeral for the last three victims of the South Dakota plane crash have been scheduled.
IPM&CSA and WPMA members Jim Hansen Jr and his brother Kirk, along with several other members of their family, were killed when a weekend hunting trip turned to heartbreaking tragedy on Saturday, November 30th when their plane went down in a field near Chamberlain, South Dakota. The Hansen brothers were executives with Conrad & Bischoff, Kyäni and KJ's Super Stores.

Services for IPM&CSA member Jim Hansen are combined with services for his son Jake Hansen and grandson Houston Hansen, and will take place at 11:00 a.m. Monday, December 23, at the Ammon Foothills Stake Center, 3932 E. 49th S. in Ammon. The family will visit with friends on Sunday, December 22, from 6:00 to 8:00 p.m. and Monday from 10:00 to 10:45 a.m. prior to the funeral, both visitations at the stake center. Burial will be in the Ammon Cemetery. A broadcast of the service will also be available at the Ammon Blackhawk Building, 7118 S. Ledgerock Drive.

Funerals were held earlier this month for family patriarch Jim Hansen Sr, IPM&CSA member Kirk Hansen, Kirk's sons Logan and Stockon Hansen, and sons-in-law Tyson Dennert and Kyle Naylor.

Donations for the families may be made to Wood Funeral Home at 273 N. Ridge Ave. in Idaho Falls.

NATURAL RESOURCES CHAIR INTRODUCES NET-ZERO CLIMATE CHANGE LEGISLATION

On Tuesday, Chairman Raúl Grijalva (D-Ariz.) and leaders from the Natural Resources Committee released H.R. 5435, *The American Public Lands and Waters Climate Solution Act.* The Act is a consequence of the 22 hearings the Committee held this year focused on climate change, which would direct the Department of the Interior (DOI) and the United States Forest Service (USFS) to achieve net-zero greenhouse gas emissions from public lands and waters by 2040.

Original cosponsors of the legislation include Vice-Chair Deb Haaland (D-N.M.), Rep. Alan Lowenthal (D-Calif.), Chair of the Subcommittee on Energy and Mineral Resources, Rep. Mike Levin (D-Calif.), Rep. Gregorio Sablan (D-CNMI), Rep. Donald McEachin (D-Va.), and Rep. Diana DeGette (D-Colo.). The bill would pause all new federal fossil fuel leasing for a

minimum of one year to allow DOI to develop a comprehensive emission reduction strategy. Leasing can only resume after DOI finds that it would be consistent with reaching net-zero by 2040, and then only within limits established by 4-year strategic plans.

DOI and USFS must meet climate pollution reduction targets at specific intervals starting in 2025 and publish strategic plans every four years that detail how the agencies would meet the pollution reduction targets established by the legislation. The bill increases the minimum royalty rate for onshore coal, oil, and gas from 12.5 percent to 18.75 percent.

Other provisions of the bill include:

- **Calculating Net Emissions:** Would make the U.S. Geological Survey responsible for tracking emissions from the development and combustion of oil, gas, and coal produced on federal leases, as well as the emissions avoided by renewable energy generation on public lands, the amount of carbon absorbed by ecosystems on public lands, and any carbon dioxide captured and permanently sequestered on public lands.
- Enforcement: If at any point the climate pollution reduction targets are not being met, no new fossil fuel permits or leases may be issued until compliance is reached.

Grijalva expects that the bill would be combined into broader climate legislation the House might consider in 2020. Of course, the bill is dead on arrival in the Senate.

HIGHWAY BILL STILL A POSSIBILITY FOR 2020

Congress could consider an infrastructure package in 2020, especially if they can get past the “pay-fors” that have been a huge stumbling point. This week Senate Finance Chairman Charles Grassley (R-Iowa) said that a five-year surface transportation could be on the Senate floor next year since his staff are finalizing a set of transportation pay-fors that could enable Majority Leader Mitch McConnell (R-Ky.) to bring a highway program to the Senate floor soon after the President Trump impeachment trial ends. Grassley is considering putting together a tax package that will raise $113 billion.

Senate Republican Conference Chairman John Barrasso (R-Wyo.), who chairs the Environment and Public Works Committee, said his committee’s highway bill, (S. 2302) could come to the floor soon afterwards. In all, $287 billion would be authorized as the $113 billion in extra pay-fors would augment taxes that already support surface transportation programs.

Of particular concern for PMAA, Section 1401 of Barrasso’s *America’s Transportation Infrastructure Act (ATIA)* would create a $1 billion grant program for states to deploy electric vehicle, hydrogen and natural gas vehicle charging stations along designated alternative fuel corridors. PMAA is concerned that the grant program does not provide for the equitable distribution of funds or account for other investment required for infrastructure changes that may be needed to accommodate EV and alternative fueling equipment such as upgrades to site utilities, adding land, and expanding paved areas and operating costs. In addition, the focus on alternative fuel corridors will result in a preference for grants to companies that have multiple sites distributed along major transportation routes. As with other grants for alternative fuels, small to medium c-stores will be placed at a competitive disadvantage.

On the House side, Transportation and Infrastructure Committee Chairman Peter DeFazio (D-OR) said this week that progress on the highway bill shouldn’t be delayed by the January Senate
trial. DeFazio supports a short-term gas tax increase as a bridge to solve the nation’s infrastructure funding woes given that a national shift to a vehicle miles traveled (VMT) is unlikely to be feasible for another decade. A VMT is a user fee based on miles traveled that can possibly be tracked by phone apps, in-car diagnostic systems or by other means. DeFazio also re-iterated that he supports “de-fossilization” and will have “a major electrification title” in the House package and “resilient infrastructure provisions to protect roads, bridges, and other transportation infrastructure from increasingly severe weather events.”

FDA APPROVES NEW TOBACCO PRODUCTS

On Tuesday, the Food and Drug Administration (FDA) endorsed two new types of tobacco products that are manufactured by 22nd Century Group Inc. Moonlight and Moonlight Menthol, which are combusted, filtered cigarettes that contain roughly 95% less nicotine than standard cigarettes, will be authorized to be sold after the FDA reviewed the products.

PLAN TO ATTEND THE 2020 WPMAEXPO

Mark your calendars for February 18-20, 2020. Make plans now to attend the 2020 WPMAEXPO.
It will be held once again at the Mirage in Las Vegas, Nevada.

THANK YOU WPMA EXPO 2020 TOP SPONSORS

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MARK YOUR CALENDARS FOR UPCOMING EVENTS

February 18-20, 2020 – WPMA Convention & Expo – Mirage Hotel– Las Vegas, NV
April 21, 2020 – IPM&CSA PAC Golf Tournament – Ridgecrest GC – Nampa, ID
April 21-23, 2020 - Federated Insurance Risk Management Academy
May 7-8, 2020 – Nevada NPM&CSA – Big Dogs - Las Vegas, NV
June 2-3, 2020 – Montana MPMCSA – Convention – Fairmont Hot Springs Resort – Fairmont, MT
June 22-25, 2020 – Washington (WOMA) – Convention – Suncadia Resort – Cle Elum, Washington
August 5-7, 2020 – Idaho (IPM&CSA) Convention – Coeur d' Alene Resort – Coeur d' Alene, Idaho
August 17-19, 2020 – New Mexico (NMPMA) Convention – Sandia Resort & Casino – Albuquerque, NM
September 9-10, 2020 – Utah (UPMRA) – Convention – Park City Marriott – Park City, Utah
September 15-17, 2020 - Federated Insurance Risk Management Academy

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Be sure to subscribe to all of our social channels for great tips, industry trends, and insider information about association activities and upcoming events!

Petro Pete: ***"I have this weird talent where I can identify what's inside a wrapped present. It's a gift."***

If you do not wish to receive information via fax or e-mail, please contact WPMA at: (801) 263-9762, Fax: (801) 262-9413, or e-mail: janr@wpma.com. Thanks.

Oregon
Kate Brown, Governor

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www.oregon.gov/dor

Date: December 9, 2019
Letter ID: L0394251584

New Corporate Activity Tax

In 2019, the Oregon Legislature established the Corporate Activity Tax (CAT) through House Bills 3427 and 2164. The CAT is expected to generate $1 billion of revenue per year. All net revenue from the CAT will be transferred to the Fund for Student Success, separate from the General Fund, and must be used for education and school purposes.

The new law requires businesses with Oregon commercial activity in excess of $750,000 to register for the Corporate Activity Tax. Businesses with Oregon commercial activity in excess of $1 million are required to file a CAT return. Businesses with taxable commercial activity in excess of $1 million must pay the Corporate Activity Tax. The CAT imposes a $250 tax on the first $1 million of gross receipts after subtractions and 0.57% tax on gross receipts greater than $1 million after subtractions.

Please be aware that the Corporate Activity Tax:

- Is effective January 1, 2020.
- Applies to any business entity that conducts business in Oregon.
- Requires returns to be filed using a calendar tax year.
- Applies to all business entity types including C and S corporations, partnerships, sole proprietorships, and others.
- Requires combined filing in some circumstances.
- Requires registration within 30 days after exceeding the $750,000 registration threshold. Early registrations will be accepted. Beginning in early 2020, you can register electronically through Revenue Online.
- Requires returns to be filed annually by April 15.
- Requires estimated tax payments which are due April 30, July 31, October 31, and January 31 for the preceding quarter for those with an estimated tax payment requirement.

Please note: We're sending these informational letters to taxpayers in stages. As a result, you may receive this letter before other businesses in your area. If you know of other businesses that haven't yet received this information, please feel free to share it.

We'll be updating our CAT website as we get closer to the effective date of this tax. For more information and to receive updates by subscribing to our email notification list, visit our website at www.oregon.gov/dor/business and click on the Corporate Activity Tax link under Information.

If you have questions, please call 503-945-8005 or email cat.help.dor@oregon.gov.