WPMA

News and Information for the Petroleum Marketers Industry

weekly update

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WPMA OFFICES CLOSED DECEMBER 24 - 25, 2018 FOR THE CHRISTMAS HOLIDAY

CONGRESS SET TO LEAVE TOWN WITHOUT ADDRESSING TAX EXTENDERS

Government Shutdown Likely

Key Developments

- Oil Spill Liability Tax (OSLT) to ***Expire*** on December 31, 2018
- Biodiesel Blender's Tax Credit ***Isn't Renewed***

A partial government shutdown is expected to go into effect tonight as the Trump Administration is unlikely to approve a clean spending bill through February 8, 2019. There was some discussion over the last few weeks to attach a tax extenders package which would include the biodiesel blender's tax credit, the OSLT and a host of additional tax related measures to the spending bill called "tax extenders," but Congress decided to punt the issue into early next year. Senate democrats balked at the idea of tackling tax extenders this year and will wait until democrats take control of the House next year when they will have more leverage in negotiations with Senate republicans and the White House. Other credits normally included in tax extenders legislation are the credits for the installation of qualified alternative fuel vehicle refueling property in a home or business; the Alternative Fuels Excise Tax Credit for the use of propane as a transportation fuel, known as the "propane autogas tax credit;" and the Section 25C tax credit for the installation of qualified high-efficiency residential HVAC systems and certain energy-saving home retrofits. PMAA will continue to push for these credits along with a retroactive renewal and gradual phase down of the $1 per gallon biodiesel blenders tax credit.

Meanwhile, because Congress is unlikely to extend the OSLT through 2019, PMAA will work with Congressional tax writing committees early next year to ensure that the credit isn't applied retroactively. The 9 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 OSLT has no tax related impact on downstream marketers, it is simply a cost passed through on finished product. The OSLT is paid by the refiner upstream. Unfortunately, some terminals break out the OSLT as a separate line item on bills of lading and invoices. This practice causes confusion downstream because the tax is paid by refiners on crude oil at the refinery gate. The OSLT is not imposed, remitted or refunded downstream. There are no OSLT floor stock taxes or OSLT tax exempt parties downstream. However, breaking out the OSLT as a separate line item gives it a perception of importance downstream. The impact of the OSLT on wholesale petroleum marketers below the terminal rack is a miniscule increase in the rack cost of finished motor fuel and heating oil. Terminal operators break out the OSLT on invoices, not because wholesale petroleum marketers need to know, but for their own accounting purposes and no other reason. There is no OSLT notice requirement for downstream parties. Some downstream wholesale petroleum marketers who break out the OSLT on invoices to their end user customers may need to adjust their accounting practices and software to reflect the expiration. However, there is no regulatory requirement to breakout the OSLT downstream of the terminal rack on invoices in the first place. **To prevent this confusion now, PMAA urges jobbers to contact their suppliers to ensure that the OSLT is not listed on BOLs starting January 1, 2019.**

Finally, the technical fix to Section 168 of the "Tax Cuts and Jobs Act" so that businesses can receive the 100 percent bonus depreciation benefit that Congress intended to provide in the law is unlikely to be addressed this year. Congress is expected to fix the issue early next year along with addressing tax extenders.

PRESIDENT TRUMP SIGNS FARM BILL WITH 10 YEAR NORA REAUTHORIZATION

SNAP also Reauthorized for Five Years

Yesterday, President Trump signed the Farm Bill and with it included a reauthorization of the National Oilheat Research Alliance (NORA)! Passage of the bill is a huge victory for heating fuels dealers. Specifically, the bill reauthorizes NORA for ten years in which 25 percent of the funding will be escrowed each year that can be accessed on year 11. PMAA would like to thank all of our state/regional associations that reached out to their lawmakers to get us to this point, but most especially, New England Fuel Institute (NEFI), all of the Northeast state associations, Wisconsin, Kansas, Ohio, Michigan, North Carolina, South Carolina, Kentucky, Illinois, Washington state and Oregon.

Senators who played a key role in the process included: Senator Jeanne Shaheen (D-NH), Senator Patrick Leahy (D-NH), Senator Susan Collins (R-ME), Senate Majority Leader Mitch McConnell (R-KY), Senator Richard Burr (R-NC), Senator Rob Portman (R-OH) and Senator Jack Reed (D-RI). In the House, key lawmakers included: Paul Tonko (D-NY), Jeff Duncan (R-SC), Frank Pallone (D-NJ), Peter Welch (D-VT), John Faso (R-NY), Ann Kuster (D-NH), Cathy McMorris Rodgers (R-WA), and David Rouzer (R-NC).

NORA was first authorized in 2000 to provide funding that would allow the oilheat industry to provide more efficient and reliable heat and hot water to American consumers. As a “check-off” program, NORA receives $0.002 at the wholesale level on every gallon of heating oil sold. NORA provides critical training opportunities and supports the necessary research and development for the industry. Oilheat is currently used in 6.3 million homes, serving more than 16 million Americans across the country. The current NORA program is authorized through February 2019.

The Farm Bill also reauthorizes the Supplemental Nutrition Assistance Program (SNAP) through 2023. The measure would largely maintain existing SNAP work requirements. The agreement requires the creation of a clearinghouse to prevent individuals from receiving SNAP benefits in more than one state simultaneously, and the USDA must review group facilities to ensure they aren’t receiving nutrition benefits from multiple programs.

Most significantly for retailers, the bill prohibits electronic benefit transfer processing fees through fiscal 2023. Specifically, it prohibits fees assessed by State benefit issuers related to the switching or routing of electronic benefit transfer transactions; requires a GAO study to examine EBT fees, outages and intermediaries providing services in-between redemption at retail food store and state-contracted EBT processors; requires USDA to review state EBT contract service agreements and compatibility of such systems with USDA fraud monitoring systems and the use of third-party applications that access EBT systems; directs the Secretary to issue guidance and regulations as appropriate based on the findings of the GAO study and USDA review; requires the Secretary to issue guidance to retail food stores on selecting EBT equipment and service providers that are able to provide sufficient transaction information to minimize the risk of fraudulent transactions; it also allows the Secretary to require applicant retailers to provide certain EBT-related information to the Secretary during the retail authorization process.

The final Farm Bill also legalizes hemp by removing it from the list of controlled substances. Hemp is classified as a schedule I drug -- those deemed to have a high abuse potential and no medical use -- along with marijuana and tetrahydrocannabinol (THC), making it largely illegal at the federal level. The measure excludes hemp, which comes from the same plant species as marijuana but has low THC, from those definitions. The bill allows states and American Indian tribes to have primary regulatory authority over hemp production. USDA would have to approve their plans to regulate it in advance.

NORTHEAST STATES INTRODUCE TRANSPORTATION PLAN TO REDUCE EMISSIONS

This week, a coalition of nine Northeast and Mid-Atlantic states, as well as the District of Columbia, announced plans to work on a new program to limit greenhouse gas emissions from burning transportation fuels. The states (Connecticut, Delaware, Maryland, Massachusetts, New Jersey, Pennsylvania, Rhode Island, Vermont, and Virginia – along with DC) agreed to create a system within a year that caps the region’s transportation emissions and invest proceeds from the program into "low-carbon and more resilient transportation infrastructure.” PMAA is taking the initiative very seriously.

In a joint statement, the states said that “emissions from transportation account for the largest portion of the region’s carbon pollution and a recent report by the Intergovernmental Panel on Climate Change found that ambitious reductions are needed within the next decade to avoid dangerous impacts to public health, infrastructure, and the environment.” The states also declared, “Advancing low-carbon transportation solutions presents an opportunity for our region to improve the way people and goods move from place to place while addressing the threats posed by carbon and other pollution.”

PMAA and its state/regional associations are committed to reducing greenhouse gases (GHG) and support reduction efforts. However, PMAA is concerned about the long-term value and sustainability of programs such as the Regional Greenhouse Gas Initiative (RGGI), how market-based they truly are and the extent the energy sector is benefiting from these programs. As a result, PMAA does not support a government mandated CO_2 emissions reduction plan because the industry is already taking proactive steps to reduce its CO_2 footprint.

PMAA believes a balanced approach is needed that considers all forms of energy and provides for a reasonable transition to future energy sources. Federal, state and local governments need to be more aware of the importance of liquid fuels in the energy picture and its role in cleaner burning engines and lower vehicle emissions. Liquid fuels store well and transport easily in trucks, ships and by pipeline which allows the most competitive price for motorists. Maintaining liquid fuels is integral to the transition to future energy sources and the viability of small business petroleum marketers. Any increased costs to refiners because of government mandated CO2 emissions reduction plan will be passed on to the marketer and ultimately the consumer in the form of higher prices at the pump and higher heating fuel prices.

Automakers and refiners are currently entertaining the move towards more efficient high compression engines coupled with a new fuel known as 95 RON which would reduce GHG. Meanwhile, heating fuel dealers are moving towards ultra-low sulfur heating oil (ULSHO) along with a biodiesel component that is cleaner than natural gas.

While the Northeast transportation plan may be a move towards electric vehicles (EVs), EVs are not the end all solution to reduce CO2 emissions. Widespread adoption of EVs nationwide will result in the need for more electricity production and upgrades to the power distribution system which could increase air pollution compared with new high efficiency, cleaner burning internal combustion engines. EVs rely on electricity generated primarily from coal and natural gas which are both major sources of greenhouse gas emissions. EVs must be transported to and from locations by different methods of transportation that produce emissions. EV batteries can catch fire and produce toxic gases not normally encountered with internal combustion vehicle fires. These toxic gases require unfamiliar fire suppression methods that are not in widespread use which can present problems for first responders and create recycling issues. Imagine evacuating the Mid-Atlantic when Sandy approached, and motorists had to wait several hours to charge their EVs. Demand would easily surge beyond capacity and people would be stuck in harm’s way.

PLAN TO ATTEND THE 2019 WPMAEXPO

WPMA EXPO

Mark your calendars for February 19-21, 2019. Make plans now to attend the 2019 WPMAEXPO.
It will be held once again at the Mirage in Las Vegas, Nevada.

MARK YOUR CALENDARS FOR UPCOMING EVENTS

February 19-21, 2019 – WPMA Convention & Expo – Mirage Hotel– Las Vegas, NV
April 23, 2019 – Idaho (IPM&CSA) Treasure Valley PAC Fund Golf Tournament, Nampa, ID
May 2-3, 2019 – Nevada (NPM&CSA) – Big Dogs – Las Vegas, NV
June 4-6, 2019 – Montana (MPMCSA) Convention – Fairmont Hot Springs Resort – Fairmont, MT
June 20, 2019 – Utah (UPMRA) Summer Golf Classic - South Mountain Golf Course, Draper, UT
June 17-20, 2019 – Washington (WOMA) Convention – Suncadia Resort, Cle Elum, WA
August 5-7, 2019 – Idaho (IPM&CSA) Convention – Sun Valley Resort, Sun Valley, ID
August 19-21, 2019 – New Mexico (NMPMA) Convention – Sandia Resort & Casino, Albuquerque, NM
September 11-13, 2019 – Utah (UPMRA) – Convention – Zermatt Resort, Midway, UT

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Petro Pete: ***"If you can't wrap Christmas presents well, at least make it look like they put up a good fight."***