April 15, 2015

Chairman Orrin Hatch (R-Utah)
Senate Finance Committee
219 Dirksen Senate Office Building
Washington, DC 20510-6200

Ranking Member Ron Wyden (D-Ore.)
Senate Finance Committee
219 Dirksen Senate Office Building
Washington, DC 20510-6200

Dear Chairman Hatch, Ranking Member Wyden, and Committee members:

NATSO, the trade association that represents travel plaza and truckstop businesses, appreciates the opportunity to provide input to the Committee's bipartisan tax working group on issues that are of importance to our membership.

NATSO's members are fuel retailers typically located near interstate exits that sell diesel, bio-diesel blends, gasoline and other alternative fuels to our nation's commercial truck drivers and highway travelers. The travel plaza and truckstop industry sells about 90 percent of all diesel fuel sold at retail in the United States. In addition, several of our members are offering alternative transportation fuels, such as Compressed Natural Gas (CNG) and Liquefied Natural Gas (LNG), in a growing number of markets around the country.

NATSO requests that the Committee's working group consider the following provisions during tax reform discussions:

I. **NATSO urges the committee to incorporate a solution into a tax reform package that keeps the highway trust fund solvent and provides adequate funding for our nation's roads and bridges.**

A lack of consensus among elected officials on how to generate more revenues for the Highway Trust Fund has pushed lawmakers to enact shorter-term measures over the last several years, including a nine-month extension of the current highway law that is set to expire May 31.

U.S. economic health depends on modern infrastructure. Trucks haul the lion's share of the nation's freight, with 70 percent of total freight tonnage moved over the nation's highways. The trucking industry projects that truckload volumes will expand every year for the next decade. The U.S. needs a long-term infrastructure plan to accommodate that level of growth.

NATSO thinks that the fuel tax remains the most viable option for funding transportation infrastructure. It has been more than 20 years, however, since Congress last increased excise taxes on gasoline and diesel. NATSO supports a modest increase in the federal excise tax on transportation fuels to pay for the infrastructure that our nation's economy relies upon. Fuel taxes can be uniformly administered and do not create impediments to interstate commerce. Considering the political difficulty of increasing the fuel tax, we also are open to discussing other funding solutions, **excluding** the tolling of existing interstates.

II. NATSO requests that Congress clarify existing rules governing the assessment of taxes on compressed natural gas (CNG).

In an effort to promote natural gas in the marketplace and to accommodate customers familiar with purchasing fuel by the gallon, the National Conference of Weights and Measures (NCWM), an association of state weights and measures officials, established years ago a national standard for the sale and distribution of CNG as a transportation fuel in a gasoline gallon equivalent measurement. The guidelines found in the National Institute of Standards and Technology (NIST) Handbooks 44 and 130 states that **2.567 kg or 5.6660 lbs. (approx. 123.55 cubic feet)** of CNG is equivalent to one gallon of gasoline. These numbers for gasoline gallon equivalents are commonly recognized in the marketplace.

However, the definition for a CNG gasoline gallon equivalent (GGE) on IRS form 720 does NOT match the NIST Handbooks. IRS Form 720 defines a GGE of CNG as simply **126.67 cubic feet**. The IRS does not provide guidance on how that number was reached. In fact, when the NCWM standard is converted to cubic feet, it equals approximately 123.55 cubic feet. The difference in definition of more than 3 cubic feet is cause for great concern to businesses that sell compressed natural gas.

NATSO thinks that Congress should revise IRS's CNG GGE definition to match the NCWM's figures.

III. NATSO requests Congress address tax parity issues that exist between liquefied natural gas (LNG) and diesel.

As the Committee is well aware, liquefied natural gas (LNG) competes with diesel as a transportation fuel for use in heavy-duty trucks. The federal highway excise tax on both diesel and LNG is set at 24.3 cents per gallon.

However, LNG has less energy per gallon than diesel fuel. In fact, it takes about 1.7 gallons of LNG to equal the same energy content as one gallon of diesel fuel. Since the excise tax is based on volume, not energy content, LNG is taxed at 170 percent of the rate of diesel on an energy equivalent basis. This disparity creates a significant disincentive for the use of LNG.

NATSO appreciates Committee member's current attention to the issue and hope efforts will continue to correct this problem.

IV. NATSO supports the Biodiesel Tax Credit.

The $1.00 per gallon biodiesel blenders tax credit helps to displace the use of petroleum products with renewable sources of energy in the trucking industry. In addition, it makes biodiesel more cost-competitive with petroleum diesel, stimulating growth and economic activity at biodiesel refineries around the country while reducing tailpipe pollution and strengthening our energy security by diversifying our sources of fuel.

NATSO supports an extension of the biodiesel credit for blenders because it has encouraged consumption of the product in the marketplace, worked effectively since implementation throughout the supply chain, and helps facilitate the growth of this still-developing industry.

Thank you for the opportunity to provide information to the Committee's tax reform working groups. Please feel free to contact us for more information if needed.

Sincerely,

B Stotler

Bradley Stotler
Vice President, Government Affairs
NATSO, representing America's Travel Plazas and Truckstops
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