

Liquefied Petroleum Gas Tax

Background The term “liquefied petroleum gas” includes any material which is composed predominantly of any of the following hydrocarbons, or mixtures of them, whether in the liquid or gaseous states, and which are used to propel vehicles of any kind upon the public highways: propane, propylene, butane (normal butane and isobutane), and butylene.

A tax on liquefied petroleum gas was first levied in 1960. In 1980, like gasoline and special fuels, the base was changed to the average per gallon wholesale price. The “supplemental highway user tax” became effective July 1, 1986.

The tax is imposed for the privilege of using the highways of the state. Consequently, the tax proceeds are deposited in the Road Fund. For FY07, the liquefied petroleum gas collections were \$161,100 which accounts for 0.013 percent of total Road Fund tax receipts.

Current Rate Structure The tax is 9 percent of the average wholesale price of a liquid petroleum gas rounded to the third decimal place. In no case can the “average wholesale price” be deemed to be less than \$1.342 per gallon. Consequently, the tax rate can be no less than 12.1 cents per gallon. The “supplemental highway user tax” rate is 5 cents per gallon.

Tax Base Unlike the gasoline tax, the tax is applicable to liquefied petroleum gas when use is determined. If the fuel is used to propel motor vehicles on the public highways, the tax applies, but if used for non-highway purposes, the fuel is not subject to tax. The dealer is allowed a deduction to cover unaccountable losses, bad debts, and handling and reporting the tax.

Taxable Unit The unit for levying the liquefied petroleum gas tax is a “per gallon” basis.

Tax Due The tax must be remitted to the Department of Revenue on or before the twenty-fifth day of the month immediately following the month it is collected.

Table 12. Total Liquefied Petroleum Gas Tax Expenditures

FY 2008	FY 2009	FY 2010
\$3,000	\$3,000	\$3,000

Tax Expenditures

1. Approved Carburetion Systems

Kentucky Revised Statute 234.321(1), effective 1972

The tax is not collected when the motor vehicles using the liquefied petroleum gas are equipped with carburetion systems approved by the Natural Resources and Environmental Protection Cabinet.

FY 2008	FY 2009	FY 2010
\$1,000	\$1,000	\$1,000

2. Dealer’s Monthly Reporting Allowance

Kentucky Revised Statute 234.320(1), effective 1972

An allowance of 1 percent of the net tax due is allowed a dealer on a timely filed and paid monthly return. This allowance is given to offset the costs of unaccountable losses, bad debts and handling and reporting the tax.

FY 2008	FY 2009	FY 2010
\$2,000	\$2,000	\$2,000