Rule 2014-2
Alternative Fuels Tax
Liquefied Natural Gas (LNG) Rule

Pursuant to the authority granted by Ark. Code Ann. §§ 26-18-301 and 26-62-104, the Director of the Arkansas Department of Finance and Administration does hereby promulgate the following rules and regulations for the purpose of facilitating compliance with the Alternative Fuels Tax Law, Act 1119 of 1993, as amended, and to facilitate the administration, enforcement, and collection of the taxes levied by Ark. Code Ann. § 26-62-101, *et seq*. as it relates to liquefied natural gas (LNG).

A. Effective Date. These rules shall be effective from and after September 1, 2014.

B. Purpose and Scope. The following rules are promulgated to implement and clarify Title 26, Chapter 62 of the Arkansas Code as it pertains to liquefied natural gas (LNG) used as an alternative fuel to generate power in an internal combustion engine or motor for a motor vehicle.

C. Definitions. For purposes of these rules, unless otherwise required by their context, the following definitions apply:

1. "Department" means and refers to the Arkansas Department of Finance and Administration and its authorized agents. For purposes of these rules, the terms "Department" and "DFA" may be used interchangeably.
2. "Exempt" refers to those instances of sales, uses, or storage of liquefied natural gas that otherwise would be considered taxable but meet certain express conditions set forth in paragraph E.2. of these rules such that the instances stated therein are free from the tax levied by Ark. Code Ann. § 26-62-201(a). No other sales, uses, or storage of liquefied natural gas are exempt.
3. "Gallon equivalent" or "equivalent gallon" are terms that may be interchangeably used in regard to describing the appropriate measurement of liquefied natural gas (LNG) for use in an internal combustion engine or as motor fuel. Based on United States standards or industry standards, a gallon equivalent of LNG refers to the regular grade "gasoline gallon equivalent" or "diesel gallon equivalent" of LNG and is measured in pounds. Specifically, one gasoline gallon equivalent (1 gge) of LNG is equivalent to five and thirty-seven/hundredths (5.37) pounds of LNG cooled to approximately -259° Fahrenheit at atmospheric pressure and stored in insulated cryogenic tanks. One diesel gallon equivalent (1 dge) of LNG is the equivalent of six and six/hundredths (6.06) pounds of LNG cooled to approximately -259° Fahrenheit at atmospheric pressure and stored in insulated cryogenic tanks.
4. "Liquefied Natural Gas" or "LNG" means natural gas that has been cooled to a liquid state and is suitable for use, distributed, or used as an alternative fuel for internal combustion engines or motors in motor vehicles. LNG may also include small amounts of products commonly referred to as methane, ethane, propane, butane, heavier alkanes, and nitrogen.
5. "Taxpayer" refers to the person responsible for remitting the taxes due to the Department pursuant to the Alternative Fuels Tax Law.

D. Director's Authority.

1. Pursuant to the authority provided in Ark. Code Ann. § 26-62-104, the Director promulgates these rules and regulations to facilitate the collection of the alternative fuels taxes levied in Title 26, Chapter 62 of the Arkansas Code as it relates to LNG.
2. Ark. Code Ann. § 26-62-201(a)(2) authorizes the Director to determine the applicable rates to be imposed for each type of alternative fuel.

E. Amount and Nature of Tax.

1. Tax Rate for LNG. The tax rate applied to sales and use of LNG shall be measured per gasoline gallon equivalent (5.37 pounds) as set forth in paragraph C.4. of these rules. The tax rate imposed for each gasoline gallon equivalent of LNG depends on the number of motor vehicles licensed in Arkansas using LNG and shall be in accordance with the number of licensed motor vehicles using LNG and the corresponding tax rates as set forth in the table contained in Ark. Code Ann. §26-62-201(b). The tax rate imposed should be the gasoline gallon equivalent regardless of whether LNG is used in lieu of gasoline or diesel fuel.
2. Exempt Alternative Fuels Sales, Uses, or Storage.
   (a) Sales to or use by the United States Government, or any agency or instrumentality thereof;
   (b) Liquefied natural gas imported into this state in the fuel supply tanks, including any additional containers, of motor vehicles being used solely for noncommercial purposes if the aggregate capacity of the fuel supply tanks, including any additional containers, does not exceed thirty equivalent gallons;
   (c) No other exemptions apply.

F. Payment of the Tax. The tax shall be collected and paid in accordance with Ark. Code Ann. §26-62-202.

G. Review and Appeals. Reviews and appeals are to be conducted consistent with the provisions of the Arkansas Tax Procedure Act, Ark. Code Ann. §§ 26-18-101, *et seq.* *See also* Ark. Code Ann. §§ 26-62-108.

Sources: Ark. Code Ann. §§ 26-62-101, *et seq*. and 26-18-101, *et seq*.

Richard A. Weiss, Director
Arkansas Department of Finance
and Administration

Dated: 4-15-, 2014

Timothy Leathers, Deputy Director/
Commissioner of Revenue
Arkansas Department of Finance
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Dated: 4-15-, 2014