

Environmental Protection Charge On Petroleum Diminution

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1993

Iowa
Information
Booklet



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Iowa Code Chapter 424 gives the Iowa Department of Revenue and Finance the responsibility of collecting an Environmental Protection Charge (EPC) based on petroleum diminution from certain storage tanks. This charge is imposed on behalf of the Iowa Comprehensive Petroleum Underground Storage Tank Board.

The EPC is imposed on all petroleum products deposited into non-exempt storage tanks in Iowa. (See pages 7-8 for a list of exempt storage tanks.) The charge is established at a rate estimated to generate \$17

million in revenue each year to fund the Iowa Comprehensive Petroleum Underground Storage Tank Fund, which is used to finance petroleum leakage cleanup, to provide loans to qualifying operators for upgrade or replacement of their tank systems and to offer insurance to tank operators to meet federal financial responsibility requirements.

If you have questions regarding the Fund's cleanup, loan or insurance programs, contact the Storage Tank Fund administrative offices at 1-800-942-1000.

Who pays the EPC?

- Any owner or operator of underground storage tanks not specifically exempted from the charge who receives petroleum products
- Any owner or operator of certain aboveground tanks who receives petroleum products

(See the exempt tank list on pages 7-8.)

If the owner and operator of the storage tank are not the same person, the person responsible for paying for the deposited petroleum is

considered the receiver and is responsible for payment of the EPC.

Federal and certain state entities do not pay the EPC; state entities may choose to participate in the program and pay the EPC. Other governmental units, such as school districts and city and county entities, must pay the EPC charge when petroleum is deposited into qualifying tanks. In addition, the EPC charge is not deducted from the cost of fuel purchased at a retail pump by a governmental unit.

Who collects the EPC?

Depositors of petroleum products collect the EPC, which is payable by the receiver upon deposit.

Depositors are required to obtain an EPC permit to collect the EPC.

"Depositor" is any person(s) holding title to petroleum who deposits or causes to be deposited petroleum into a tank subject to regulation. A person such as a common or contract carrier who transfers possession of but not title to petroleum from depositors to receivers are not depositors for the purposes of the EPC. A person's status and responsibilities as a depositor are not altered by the fact that title to petroleum passes to a receiver before the petroleum is placed in a tank. (See examples on page 3.)

A receiver of petroleum products is required to obtain an EPC permit and pay the EPC on his/her own petroleum purchases if the receiver takes possession of the petroleum before its introduction into the receiver's storage tank. If a

receiver sends its own tanker truck or employs a common or contract carrier sent to a distributor's facility by the receiver and title to petroleum passes to the receiver at that point, the receiver alone is responsible for paying the charge. A person who, upon the initial purchase of petroleum, causes that petroleum to be placed in a storage facility which is not a "tank" and subsequently transfers the petroleum to a tank is a receiver and is liable for payment of the charge at the time petroleum is placed in the tank.

A person may engage simultaneously in a series of transactions in which he or she is a depositor and engages in another series of transactions in which he or she is a receiver. In some circumstances the person is obligated to collect the charge from another party and remit it to the Department; in other circumstances that person is obligated to pay the charge to another party who is then obligated to remit it to the Department.

Examples

Assume that "A" is a petroleum distributor with terminal rights, "B" is a petroleum distributor with terminal rights, "B" is a petroleum distributor or wholesale who also owns retail petroleum outlets and that "C" is a petroleum retailer independent of "B".

1 B contacts A and asks A to transfer petroleum into a tank at B's retail facility. When this is done, B is the receiver of the petroleum and A is its depositor. A collects the EPC charge from B and remits it to the Department.

2 C orders petroleum from B. B contacts A, who transports the petroleum to C's station and deposits it in C's tank. Title to the petroleum transfers from A to B to C. In this situation, B is the depositor who causes the petroleum to be deposited in the tank and who transfers title to C, who is the receiver. Therefore, B collects the EPC from C and is obligated to remit the charge to the Department.

3 C contacts B asking that A transport a load of petroleum to C's aboveground storage facility not located at a retail motor fuel outlet. Title to the petroleum is transferred first from A to B. When the petroleum enters the aboveground facility, the title passes from B to C. Later, C pumps the petroleum into a tank. C becomes a receiver of the petroleum at that time, self-assesses the EPC and remits it to the Department.

4 C owns a tank truck capable of transporting petroleum. C drives to A's facility and there accepts title to and possession of a load of petroleum. C then transports this petroleum back to its retail station and places the petroleum in a tank. At the time the petroleum is placed in the tank, C becomes the receiver obligated to self-assess the EPC and remit the charge to the Department.

Obtaining an EPC permit

EPC permits are issued free of charge by the Iowa Department of Revenue and Finance and are necessary for all depositors of petroleum products into qualifying storage tanks. (Iowa Code 424.5)

The EPC is remitted on a calendar quarterly basis. A

return is filed with the remittance by the end of the month which follows the close of each calendar quarter.

For more information about EPC permits and returns, contact Taxpayer Services.

Calculating the EPC

The EPC is based on the amount of petroleum product introduced to any non-exempt storage tank.

As of October 1, 1991, the EPC rate is 1 cent per gallon on petroleum deposited into qualifying tanks. Multiply the number of gallons of

petroleum by .01 to determine the EPC.

The EPC rate is reviewed at least annually and is, therefore, subject to change.

For assistance in calculating or collecting the EPC, contact Taxpayer Services.

What is a qualifying storage tank?

Both underground and aboveground storage tanks may be subject to the EPC.

Underground storage tanks

To qualify for the EPC, at least 10 percent of the petroleum product stored in the tank and piping must be underground.

Aboveground storage tanks

To qualify for collection of the EPC:

- The aboveground tank must be of more than 1,100 gallon capacity

located at a retail motor vehicle fuel outlet; *and*

- The tank must be directly and physically connected to pumps which dispense petroleum sold at retail.

Petroleum deposited into aboveground tanks located at retail outlets and sold only in bulk and not through pumps at retail is not subject to collection of the EPC.

The tank may be a combination of tanks, including connecting pipes

connected to the tanks which are used to contain an accumulation of petroleum and the volume of which – including the volume of the underground pipes – is more than 90 percent above the surface of the ground.

The definition of an aboveground petroleum storage tank does *not* include the following:

- Aboveground tanks of 1,100 gallons or less capacity

Petroleum substances subject to the EPC

The following list is generalized. Questions about whether or not a petroleum substance is subject to the EPC should be directed to the Iowa Department of Natural Resources at (515)281-8693.

- Gasoline mixtures including blends of methanol and ethanol
- Diesel mixtures
- Fuel oil mixtures
- Jet fuels
- Petroleum oils, including motor and lubricating oils
- Used petroleum oils
- Liquid asphaltic materials

- Tanks used for storing heating oil for consumptive use on the premises where stored
- A flow-through process tank or a tank containing a regulated substance – other than motor vehicle fuel used for transportation purposes – for use a part of a manufacturing process, system or facility

- Petroleum solvents, including naphtha, paint thinners, mineral spirits, petroleum distillates
- Benzene
- Toluene
- Xylene
- Phenols
- Ethylenes
- Butylenes
- Propylenes

Exemption from the EPC

Certain storage tanks are exempt from the EPC. Exemption certificates are issued to owner/operators or exempt storage tanks by the Iowa Department of Natural Resources unless the tank is within a class of exempt tanks that does not require the EPC exemption certificate.

When an owner/operator of a storage tank receives a deposit of petroleum into the storage tank and claims exemption from the EPC, the receiver must provide the depositor with a valid exemption certificate number or a signed statement attesting that the tank receiving the petroleum deposit falls within a class of tanks granted blanket exemption by the Iowa Department of Natural Resources.

Receivers who provide their own valid exemption statements should contact Taxpayer Services for guidelines in writing them.

Exemption certificates must be maintained in the

records of the depositor for five years to verify the reason for non-collection of the EPC on qualifying deposits of petroleum products.

A separate exemption certificate is not necessary for each deposit of petroleum into an exempt tank. Once such a statement is on file with the depositor, the same type of petroleum product may be introduced into the receiver's storage tank without imposition of the charge and without completion of a new exemption certificate. Records of all deposits into exempt tanks must be maintained by the depositor and include the date of deposit, the receiver's name and address, the type of petroleum deposited and gallonage deposited.

Depositors are required to periodically (at least annually) question each receiver who has filed an exemption certificate to determine if the information contained on the certificate is accurate and complete.

Tanks exempt from the EPC

Following is a condensed list of the types of tanks that are exempt from the EPC. Questions about what types of tanks qualify as exempt should be directed to the Department of Natural Resources at (515)281-4367.

- A tank owned or operated by a state or federal government whose debts and liabilities are the debts and liabilities of a state or the United States. Note: Only state and federal government owners or operators are exempt. Tanks owned or operated by county, city or other governmental jurisdictions are subject to the EPC.
- A farm or residential tank with a capacity of 1,100 gallons or less used for storing motor fuel for non-commercial purposes
- A tank used for storing heating oil for consumptive use on the premises where stored
- A septic tank
- A pipeline facility, including gathering lines, regulated under any of the following:
 - The Federal Natural Gas Pipeline Safety Act of 1968
 - The Federal Hazardous Liquid Petroleum Pipeline Safety Act of 1979
 - State laws comparable to the provisions of the laws referred to above
- A surface impoundment, pit or lagoon
- A storm water or wastewater collection system
- A flow-through process tank
- A liquid trap or associated gathering lines directly connected to oil or gas production and gathering operations
- A storage tank in an underground area, such as a basement, cellar, mine, drift, shaft or tunnel, if the storage tank is above the surface of the floor to permit inspection of its entire surface

Exempt tanks continued

- Any storage system holding hazardous waste listed or identifiable under subtitle C of the Federal Solid Waste Disposal Act or a mixture of such hazardous waste and other regulated substances
- Equipment or machinery that contains regulated substances for operational purposes such as hydraulic lift tanks and reservoirs and electrical equipment tanks
- Any storage tank which has a capacity of 110 gallons or less
- Any emergency spill or overflow containment underground storage tank that is expeditiously emptied after use
- Wastewater treatment tank system
- Any storage tank system containing radioactive materials that are regulated under Federal Atomic Energy Act of 1954
- Any storage tank system that is part of an emergency generator system at nuclear power generation facilities regulated by the Regulatory Commission under 10 C.F.R. Part 50, appendix A
- Airport hydrant fuel system. However, no airport fuel system in Iowa currently qualifies under federal regulations as a hydrant fuel system.
- Storage tank systems with field-constructed tanks

Filing returns and payment

Depositors must file their returns for the reporting and payment of the EPC on a quarterly basis. EPC returns are mailed to all EPC permit holders by the Iowa Department of Revenue and Finance near the end of each calendar quarter.

On the return, the depositor enters the total gallons subject to the charge rounded to the nearest whole gallon for the entire quarter.

Returns and payments must be postmarked by the last day of the month following the close of the quarter. Late payments are assessed penalty and interest charges. EPC permit holders who do not receive quarterly returns or who have questions about completing the returns should contact Taxpayer Services.

Limited credit allowed

An EPC permit holder responsible for self-assessment of the charge may qualify for a limited credit on the EPC if the permit holder is both the depositor and the receiver of petroleum products introduced into his/her own tanks. This credit is not available to persons who correctly pay the charge to another as depositor.

In addition, the permit holder must operate a bulk storage facility which was in operation before January 1, 1990, and which has bulk unloading facilities separate and different from retail dispensing facilities.

The credit is available only on petroleum withdrawn from the storage facility and only when deposited into exempt tanks since May 2, 1990.

To be considered delivered in bulk quantities, delivery must be made in a portion of a standard tanker truck load. The tanker truck must have a minimum capacity of 1,000 gallons.

Credit is claimed on the quarterly EPC return. Gallonage qualifying for the credit is used to reduce the total gallonage on which the depositor/receiver pays the charge. Line-by-line instructions are included on the quarterly return.

FOR MORE INFORMATION ON EPC...

EPC Fund cleanup, loan or insurance programs

1-800-942-1000

Types of tanks that are exempt from EPC

515/281-8693

OTHER IOWA TAX QUESTIONS

Taxpayer Services

Iowa Department of Revenue and Finance

PO Box 10457

Des Moines, Iowa 50306-0457

515/281-3114 (out of state, Des Moines)

OR

1-800-367-3388 (Iowa, Omaha and Rock Island/Moline)

To receive forms and publications:

by mail: 515/281-7239 or 800-532-1531 (Iowa only)

by fax: 800-572-3943

by Internet: <http://www.state.ia.us/government/drf>

To receive publications and other tax news by computer:

ERIN (computer bulletin board):

515/281-3248 or 1-800-972-2028 (Iowa only)

To listen to pre-recorded tax messages:

515/281-4170 or 800-351-4658

To check on the status of your Iowa income tax refund:

515/281-4966 or

800-572-3944 (Iowa, Omaha, and Rock Island/Moline only)

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