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State of Minnesota

HOUSE OF REPRESENTATIVES

NINETY-SECOND SESSION

H. F. No. 3770

02/24/2022 Authored by Sundin, Ecklund, Anderson and Frederick
The bill was read for the first time and referred to the Committee on Commerce Finance and Policy

1.1 A bill for an act
1.2 relating to commerce; establishing a liquid fuel modernization fee and grant
1.3 program; appropriating money; amending Minnesota Statutes 2020, section
1.4 296A.15, by adding a subdivision; proposing coding for new law in Minnesota
1.5 Statutes, chapter 239.

1.6 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MINNESOTA:

1.7 Section 1. 239.787 LIQUID FUEL MODERNIZATION FEE; GRANTS.

1.8 Subdivision 1. Definitions. (a) For purposes of this section, the following terms have
1.9 the meanings given.

1.10 (b) "Aboveground storage tank (AST) system" means the system of components required
1.11 to safely store liquid fuel aboveground and make the liquid fuel available to purchase by a
1.12 consumer or load onto a fuel transport vehicle. AST system includes but is not limited to
1.13 tanks, vent tubes, tank monitors, piping, pumps, containment, meters, loading racks,
1.14 dispensers, hoses, and pump handles that are primarily located aboveground.

1.15 (c) "Account" means the liquid fuel modernization account established in subdivision
1.16 2.

1.17 (d) "Bulk plant" means a liquid fuel storage facility with no more than 250,000 gallons
1.18 of combined aboveground and underground storage capacity.

1.19 (e) "Controlled group" has the meaning given in section 1563(a) of the Internal Revenue
1.20 Code.

2.1 (f) "Eligible entity" means a business entity or controlled group that installs eligible fuel
2.2 infrastructure at a new or existing retail fueling site or bulk plant that is owned or operated
2.3 by the business entity or controlled group.

2.4 (g) "Eligible fuel infrastructure" means:

2.5 (1) all UST system components that are compatible with higher biofuel blends; and

2.6 (2) all AST system components that are compatible with higher biofuel blends.

2.7 (h) "Higher biofuel blends" means (1) blends of gasoline and ethanol containing more
2.8 than ten percent ethanol by volume, and (2) blends of diesel and biodiesel containing more
2.9 than 20 percent biodiesel by volume.

2.10 (i) "Liquid fuel" means petroleum products.

2.11 (j) "Petroleum products" has the meaning given in section 296A.01, subdivision 42.

2.12 (k) "Retail fueling site" means a convenience store, service station, or other facility that
2.13 offers liquid fuel for sale to consumers.

2.14 (l) "Underground storage tank (UST) system" means the system of components required
2.15 to safely store liquid fuel underground and make the liquid fuel available to purchase by a
2.16 consumer or load onto a fuel transport vehicle. UST system includes but is not limited to
2.17 spill buckets, drop tubes, tanks, vent tubes, tank monitors, piping, submersible pumps,
2.18 containment, meters, dispensers, hoses, and pump handles that are located aboveground or
2.19 underground.

2.20 Subd. 2. **Account; revenue sources; appropriation.** (a) A liquid fuel modernization
2.21 account is established in the special revenue fund. Revenue from the following sources must
2.22 be deposited in the state treasury and credited to the account:

2.23 (1) the proceeds of the fee imposed under subdivision 4;

2.24 (2) interest attributable to investment of money in the account; and

2.25 (3) money received by the commissioner in the form of gifts, grants other than federal
2.26 grants, reimbursements, or appropriations from any source intended to be used for the
2.27 purposes of this section.

2.28 (b) Money in the account is appropriated to the commissioner to award and administer
2.29 grants under subdivision 5.

2.30 Subd. 3. **Imposing fee.** The commissioner must notify the commissioner of revenue if
2.31 the unencumbered account balance falls below \$35,000,000. Within 60 days of the date the

3.1 notice is received, the commissioner of revenue must impose the fee established in
3.2 subdivision 4 on the use of a tank until the account balance reaches \$60,000,000, with
3.3 payment submitted with each monthly distributor tax return.

3.4 Subd. 4. **Liquid fuel modernization fee.** (a) Until June 30, 2032, a liquid fuel
3.5 modernization fee is imposed on the use of tanks that contain petroleum products. On
3.6 products other than gasoline, the fee must be paid in the manner provided under section
3.7 296A.15 by the first licensed distributor, as defined in section 296A.01, receiving the product
3.8 in Minnesota. When the product is gasoline, the distributor responsible for paying the
3.9 gasoline tax is also responsible for paying the liquid fuel modernization fee.

3.10 (b) The commissioner of revenue must impose the fee at a rate of \$13 per 1,000 gallons
3.11 of petroleum products, rounded to the nearest 1,000 gallons.

3.12 (c) A distributor who fails to pay the fee imposed under this subdivision is subject to
3.13 the penalties provided under section 296A.22.

3.14 Subd. 5. **Grant program.** (a) The commissioner, in consultation with the advisory
3.15 committee established under subdivision 6, must implement a liquid fuel modernization
3.16 grant program. The commissioner must award grants to eligible entities. Applicants must
3.17 apply to the commissioner in the form required by the commissioner.

3.18 (b) Grants are equal to 65 percent of total equipment and labor costs incurred by an
3.19 eligible entity to install eligible fuel infrastructure, but must not exceed \$800,000 per eligible
3.20 entity each year. If an eligible entity also receives financial assistance from another source,
3.21 the commissioner must decrease the grant amount under this paragraph if necessary so that
3.22 total financial assistance from all sources does not exceed 100 percent of total equipment
3.23 and labor costs.

3.24 (c) An eligible entity that receives a grant under this section must certify to the
3.25 commissioner that the eligible fuel infrastructure is used to offer higher blends for sale at
3.26 the retail fueling site or to store higher blends at the bulk plant.

3.27 Subd. 6. **Advisory committee.** (a) The commissioner must convene a liquid fuel
3.28 modernization grant program advisory committee. The committee consists of:

3.29 (1) the commissioner of agriculture or the commissioner's designee;

3.30 (2) the director of the Pollution Control Agency's tank compliance and assistance program
3.31 or the director's designee;

3.32 (3) a Minnesota fuel equipment and service provider appointed by the governor; and

4.1 (4) a Minnesota-licensed fuel distributor appointed by the governor.

4.2 (b) The Minnesota-licensed fuel distributor appointed under paragraph (a), clause (4),
4.3 serves as chair of the committee.

4.4 (c) The filling of positions, vacancies, membership terms, payment of compensation
4.5 and expenses, and removal of members are governed by section 15.0575.

4.6 Subd. 7. **Expiration.** This section expires June 30, 2033.

4.7 Sec. 2. Minnesota Statutes 2020, section 296A.15, is amended by adding a subdivision to
4.8 read:

4.9 Subd. 2a. **Liquid fuel modernization fee.** (a) A person required to pay a liquid fuel
4.10 modernization fee under section 239.787, subdivision 4, must file a report with the
4.11 commissioner of revenue. Each report must include the amount of fees due on petroleum
4.12 products. A report must be filed in the form and manner prescribed by the commissioner.
4.13 A written report is considered filed as required if postmarked on or before the 23rd day of
4.14 the month in which the fee is payable.

4.15 (b) This subdivision expires June 30, 2032.