

Special Review

Propane Tax Rate

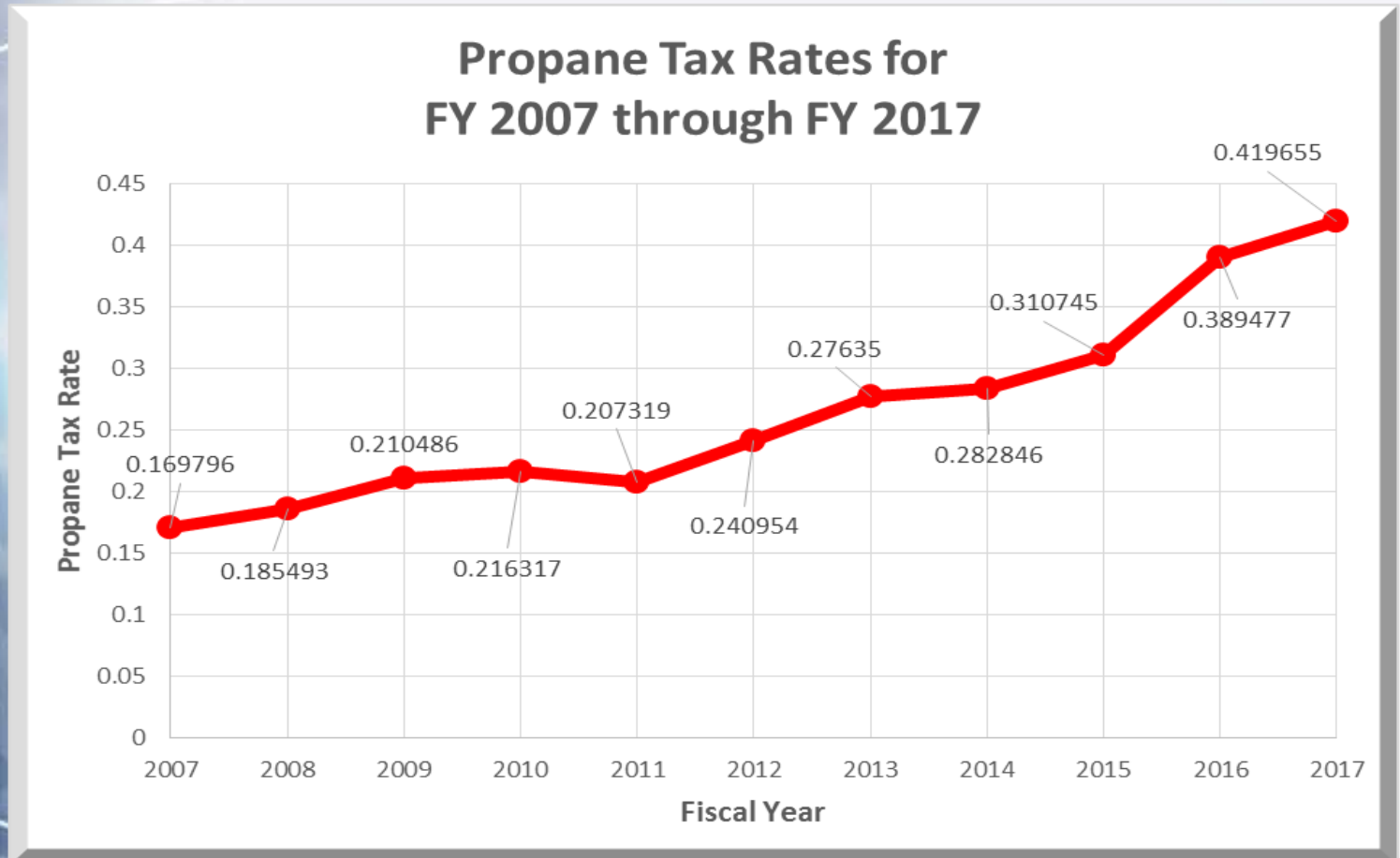


May 2017

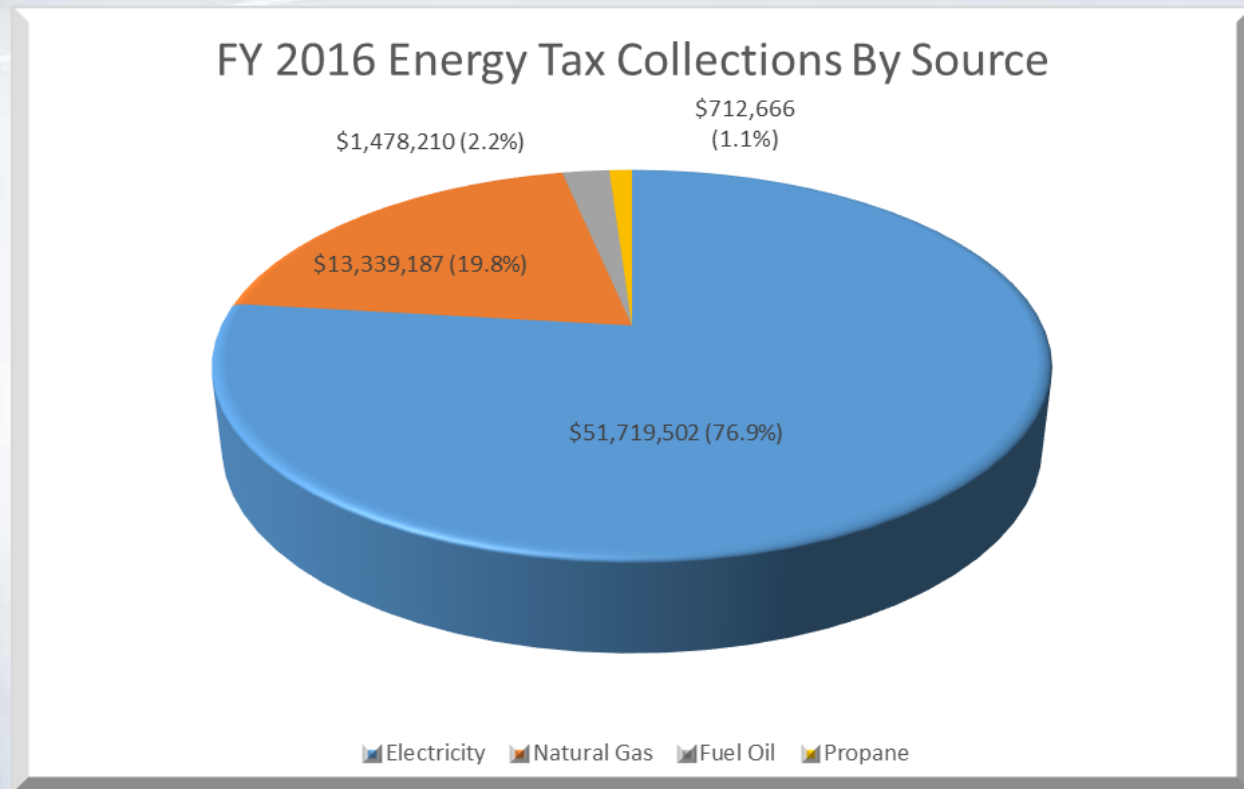
Office of Audits and Investigations (A&I)

- ❑ Propane Tax Rates FY 2007 – FY 2017
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Propane Tax Rates



FY 2016 Energy Tax Collections by Source



Note: The chart excludes adjustments made for circuit breaker and Maryland energy assistance/weatherization rebates included in the computation of total energy tax collections in the Comprehensive Annual Financial Report (CAFR)

Rate Calculation – FY 2016

	<u>Initial Calculation</u>	<u>Revised Calculation</u>
Revenue	\$11,608,797	\$8,081,827
Multiplied by	x 0.075	x 0.075
<u>Consumption</u>	<u>÷ 2,235,461</u>	<u>÷ 2,236,960</u>
	\$0.389477/gallon	\$0.270965/gallon

The use of the revised propane tax rate for FY 2016 resulted in a potential overcharge of approximately **\$216,853**

Potential Overcharge – FY 2016

FY 2016 Propane Units *	Propane Tax Rate	Propane Tax Collected
<u>1,829,803</u>	<u>0.389477 (initial)</u>	<u>\$712,666</u>
	<u>0.270965 (revised)</u>	<u>\$495,813</u>
	<u>Potential Overcharge</u>	<u>\$216,853</u>
* Calculated value based on actual collections		

- The change in consumption numbers from 2,235,461 in the initial calculation to 2,236,960 in the revised calculation reveal that the County's propane tax collections during portions of FY 2014 and FY 2015 were understated due to misreporting by some propane companies



- A&I estimates the tax collection shortage to be **\$445** based upon averaging FY 2014 and FY 2015 approved propane tax rates (.296796) and applying the resulting rate to the net increase in consumption of 1,499 units

Revised Propane Tax Rate – FY 2018

	<u>Initial Calculation</u>	<u>Revised Calculation</u>
Revenue	\$6,763,219	\$5,354,780
Multiplied by	x 0.075	x 0.075
<u>Consumption</u>	<u>÷ \$1,951,807</u>	<u>÷ 2,082,601</u>
	\$0.259883/gallon	\$0.192840/gallon

- The change in consumption numbers from 1,951,807 in the initial calculation to 2,082,601 in the revised calculation reveal that the County's propane tax collections during portions of FY 2016 and FY 2017 were understated due to misreporting by some propane companies.
- A&I estimates the tax collection shortage to be **\$52,915** based upon averaging FY 2016 and FY 2017 approved propane tax rates (.404566) and applying the resulting rate to the net increase in consumption of 130,794 units.

Comparison of Propane Tax Rates with Other Jurisdictions

County	FY 2016 Tax Rate
Prince George's	0.389477/gallon
Anne Arundel	0.015/gallon
Baltimore City	0.147431/gallon (comm.) 0.046699/gallon (resid.)
Montgomery*	0.0367935/lb. (comm.)-.1545327/gallon* 0.02056/lb. (resid.)-.086352/gallon*
St. Mary's	1.25% of sales
* 4.2 pounds = 1 gallon	

- A&I researched and compared the energy taxes levied on all other jurisdictions within the State of Maryland for FY 2016
- There are four other jurisdictions that impose propane taxes: Anne Arundel County, Baltimore City, Montgomery County, and St. Mary's County