



NEW YORK STATE SENATOR

Catharine Young

Senate and Assembly Reach Agreement on Gas Tax Cap

CATHARINE YOUNG May 23, 2006

Senator Cathy Young today announced that the Legislature has reached agreement on a plan to provide New Yorkers with relief from high gas prices by capping and reducing the sales taxes on gasoline.

The agreement would save New Yorkers as much as \$450 million annually at the pump by capping the sales taxes at \$2 per gallon. The bill would cap the State sales taxes on gas at 8-cents per gallon, effectively freezing the tax at the \$2 per gallon rate. The State currently collects an average of 12-cents in sales taxes on a gallon of gas at current prices, this bill would cap the tax at 8-cents per gallon; localities collect between 12-cents and 15-cents per gallon from local sales taxes. The agreement allows local governments to opt in and match the State savings at the local level.

The cap on the State sales tax on gas would take effect on June 1, 2006. Local governments would have the option of passing a law to cap their local sales tax on gas at a fixed rate at or lower than the 12 to 15 cents per gallon they collect at today's prices.

The measure will require that service station owners pass along the savings to consumers. The State Commissioner of Taxation and Finance, in conjunction with the Chair of the State

Consumer Protection Board, would be charged with enforcing the cap. There would be fine of up to \$5,000 per incident, per day, for stations that do not pass along the savings.

The 8-cent cap would be reduced proportionately should gas prices fall below \$2 per gallon.

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In addition, the agreement would:

- > Provide consumers with a tax credit for the purchase of home heating oil that contains biodiesel fuel. The credit would be equal to the percentage of biodiesel contained in the fuel, i.e. a 10-cent per gallon credit for heating fuel containing 10 percent biodiesel;

- > Create a tax credit for the purchase of energy efficient residential home heating systems. The credit would be equal to 50 percent of the purchase and installation costs, not to exceed \$500; and

- > Require the State Thruway Authority and NYSERDA to develop a plan to make alternative fuels, such as ethanol, available at Thruway service areas.

The Senate and Assembly will continue to discuss proposals to encourage the development and use of alternative sources of energy and encourage energy conservation and the purchase of energy-saving products and materials