

Legislative History of Tax Exemptions for Propane for Residential Use

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Issue

Briefly explain the legislative history of the sales tax and petroleum products gross earnings tax (PGET) exemptions for propane used at a residential property.

Summary

By law, sales of propane for residential use are exempt from sales tax as part of a broader exemption for gas and electricity used in residential dwellings ([CGS § 12-412\(3\)\(A\)](#)); sales of propane for residential heating are also exempt as part of a heating fuel exemption ([CGS § 12-412\(16\)](#)). These exemptions date back to the 1947 act that first established the state sales tax. The original gas and electricity exemption applied broadly to numerous utilities delivered to consumers through mains, lines, or pipes, while the original fuel exemption applied to all fuel used for residential purposes. The legislature amended both of these exemptions several times during the 1970s before it enacted the existing law in 1989.

Propane used primarily for heating purposes is also exempt from PGET ([CGS § 12-587\(b\)\(2\)](#)). The legislature established this exemption in 1987 (PA 87-312), seven years after enacting the tax (PA 80-71). The exemption originally applied to propane gas (1) sold in containers for residential heating use or (2) sold and delivered for residential heating use to a maximum 1,000 gallon stationary storage tank. In 1995, the legislature broadened the exemption to all sales of propane to be used “exclusively for heating purposes” ([PA 95-172](#)). More recently, in 2015, it changed this standard from “exclusively” to “primarily” ([PA 15-1](#), Dec. Special Session, § 27).

History of Propane Gas Sales Tax Exemptions

PA 228 (1947)

PA 228 (1947), which first established the state sales tax, exempted gas (as well as water, electricity, telephone, and telegraph) when delivered to consumers through mains, lines, or pipes (§ 7(c), now codified as [CGS § 12-412\(3\)\(A\)](#)). It also included a broader exemption for any fuel used exclusively for domestic (i.e., residential) purposes (§ 7(p), now codified as [CGS § 12-412\(16\)](#)).

PA 8 (1971)

In 1971, the legislature limited the full exemption for gas and electricity to only those services attributed to residential heating; it limited the exemption for gas and electricity services used for other purposes (as well as other utilities) to the first \$20 per month (PA 8 (June 1971 Special Session), §§ 6&7). (The legislature subsequently decreased the value of the per month exemption to \$10 in 1972.)

The 1971 act authorized the tax commissioner to establish a formula for determining the portion of a periodic gas or electric bill attributed to residential heating. Under the act, the formula had to equalize the exemption for these services with the exemption provided for other residential heating fuels. PA 8 (1971)) made a corresponding change to the residential fuel exemption by specifying that gas and electricity used exclusively for residential heating were also exempt.

PA 74-4 and PA 75-495

In 1974, the legislature restored the full exemption for gas and other utilities by, among other things, eliminating the restriction that gas and electricity be used exclusively for residential heating in order to qualify for the full exemption (PA 74-4, §§1 & 2). The act also extended the exemption to bottled gas. (In 1975, the legislature amended the exemption to specify that bottled gas means propane gas (PA 75-495, § 1).)

The 1974 act also amended the residential fuel exemption by limiting it to heating fuel while simultaneously expanding it to cover heating fuel used for commercial and industrial purposes.

PA 89-251

In 1989, the legislature enacted the law as it currently appears. Among its many tax and fee changes, PA 89-251 limited the exemptions for gas and electricity (§ 12-412(3)) and heating fuel (§12-412(16)) to residential dwellings and qualifying agricultural, manufacturing, and industrial buildings (PA 89-251, §§ 12, 14 & 201).

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