Tax Expenditure Review Commission Member Evaluation Summary
4.1.14 Residential Heating Fuels

Name of Expenditure:	Residential Heating Fuels
Estimate of Annual Revenue Lost:	$199,100,000*
Year of Adoption:	1978
Sunset Date:	None

Tax Type:

- ☐ Individual Income Tax
- ☐ Corporate Franchise Tax
- ☐ Estate Tax
- ■ General Sales and Use Tax
- ☐ Motor Vehicle Sales Tax
- ☐ Highway Fuels Excise Tax
- ☐ Alcoholic Beverage Tax
- ☐ Cigarette and Tobacco Tax
- ☐ Mortgage Registry Tax
- ☐ Deed Transfer Tax
- ☐ Lawful Gambling Tax
- ☐ Insurance Premiums Tax
- ☐ Property Tax
- ☐ Motor Vehicle Registration Tax
- ☐ Aircraft Registry Tax
- ☐ Cannabis Gross Receipts Tax

This expenditure is the result of state conformity to the Federal Code:

- ☐ Yes
- ■ No

Commission Approved Objective:

The objective of the Heating Fuel and Utility Service tax exemption is to lessen the effective tax burden of lower-income households and reduce the regressivity of the sales and use tax.

Business (check all that apply):

- ☐ Job Creation & Maintenance
- ☐ Investment
- ☐ Competitiveness/Strategic
- ☐ Health/Environmental/Social Justice
- ☐ Other

Individual (check all that apply):

- ☒ Relief of Poverty
- ☒ Progressivity/Assistance to Low Earners
- ☐ Access to Opportunity
- ☐ Health/Environment/Social Justice
- ☐ Other

*The estimate of annual revenue lost is from the 2024 Tax Expenditure Budget published by the Department of Revenue for Fiscal Year 2026.

Measurement and Effectiveness Ratings Summary:

Statement	Strongly Disagree	Somewhat Disagree	Somewhat Agree	Strongly Agree	Total
We can measure the overall benefit towards achieving the objective(s).	1	0	0	4	5
The expenditure's benefit justifies its fiscal cost.	0	1	1	3	5
The expenditure is claimed by its intended beneficiaries.	0	0	0	5	5
The expenditure is claimed by a broad group of taxpayers.	0	0	0	5	5
The expenditure amount claimed per taxpayer is meaningful as an incentive/benefit.	0	1	1	3	5
The expenditure is relevant today.	0	1	0	4	5
Business Only: The expenditure is primarily beneficial to smaller businesses.	0	0	0	1	1
Individuals Only: The expenditure is primarily beneficial to lower income taxpayers.	1	0	1	2	4

This tax expenditure is flagged for legislative review:

Continue	Repeal	Modify	Total
3	0	2	5

Comments:

“Great program”

“As the report clearly indicates, this benefit skews towards the highest earning population deciles. I would be in favor of modifying the benefits to fade out at the higher deciles; exempt utility usage up to a certain threshold amount, then introduce a scale of sales tax (ex. at 70 percentile introduce a 2% tax, then increase at 80 percentile to 3%, etc.). There is also an interesting option presented in the report from Maine: "In the state of Maine, the sale of electricity is subject to sales and use tax, except for the first 750 kilowatt-hours purchased for residential use; these first 750 kilowatt-hours are tax-exempt, and anything on top of that is subject to Maine sales and use tax." Restructuring our heating fuels exemption around this same principle may be an interesting alternative.”

“I would be interested in knowing if there is a way to modify the tax expenditure so that more lower income households receive a higher monetary benefit. This will help bring down energy burden costs for those households. If that can't be done through a tax expenditure, it might be worth considering a direct expenditure that targets households with incomes that are more likely to be energy burdened. Another idea may be to change the tax rate for these goods or institute a program similar to Maine. It would depend on how burdensome that would be to implement.”

“If all taxpayers receive this benefit and the goal is "lessen the effective tax burden of lower-income households," then this approach is too broad and should be modified. Two ideas:

1) Exempt the equivalent of an average-sized home's heating fuel instead of all fuel.”

2) Provide a direct tax credit to low-income people instead.”

Overall it might benefit a conversation in the tax committees to ensure that this is reducing energy costs for those who need it the most.

I would also advocate for including April in this exemption.