PTSA

Petroleum Transportation & Storage Association

Weekly Update

Regulatory News and Compliance Information for the Petroleum Transportation and Storage Industry

Washington, D.C. Friday, April 15, 2005.

1. HOUSE PASSES BILL TO MAKE ESTATE TAX REPEAL PERMANENT:

The U.S. House of Representatives this week voted to permanently repeal the federal estate tax beginning in 2010. The 272-162 vote in support of permanent repeal will relieve family owned businesses from the federal "death" tax and significantly reduce the high cost of estate planning when passing assets to the next generation. According to the bill's supporters more than 70 percent of family-owned small businesses do not reach the second generation because of the estate tax. The bill passed shortly after the Democrats unsuccessfully offered an amendment that would leave the estate tax in place but raise the exemption threshold under which estates are not taxed to $3.5 million. In 2001, Congress voted to repeal the estate tax after a multi-year phase-out ends in 2010. However, the law included a sunset provision that eliminates the phase-out and repeal after December 31, 2010 and reinstates the $650,000 threshold exemption existing prior to the legislation. The sunset provision was added to the legislation in order to re-assess the impact the estate tax elimination would have on the federal budget in the years leading up to repeal. The real fight over the estate tax will take place in the Senate where supporters are several votes shy of the 60 needed to break a promised Democratic filibuster on the issue. As a result, Senate GOP leaders are considering a compromise bill that would set the value of an estate excluded from taxation at $10 million, with a 15% tax rate for estates higher tan that. Supporters say the compromise, which is expected to have enough support to prevent a filibuster, would have the same effect as repeal because few estates would qualify for the tax under the higher exemption threshold. Senate action is not expected until later this year.

2. SENATE COMMITTEE REMOVES LEGAL ROADBLOCKS BARRING OPEC ANTITRUST SUIT:

The Senate Judiciary Committee this week approved a bill that opens the way for lawsuits against the Organization of Petroleum Exporting Countries (OPEC) in federal court for antitrust violations. The bill (S. 555) reverses years of federal court decisions that ruled OPEC was exempt from U.S. antitrust laws under The Foreign Sovereign Immunity Act which prevents lawsuits against foreign governments. The No Oil Producing and Exporting Cartels Act of 2005 (NOPEC Act) introduced by Senator Mike DeWine (R-OH) is in response to escalating crude prices which have hovered over $50 per barrel in recent months with no relief in site. If enacted, the bill would force OPEC to begin pricing in a competitive, free market manner or face the possibility of being prosecuted for civil or criminal antitrust violations. Dewine said that the bill is "a step in the right direction, and it shows that we will not stand idly by while OPEC brazenly fixes prices in violation of our antitrust laws." The bill would clear away "judicially-created roadblocks" to enable the Justice Department or Federal Trade Commission "to bring an antitrust case against OPEC for its price fixing behavior", according to DeWine. The bipartisan bill is co-sponsored by Senators Arlen Specter (R-PA); Patrick J. Leahy (D-VT); Charles Grassley (R-IA); Russell Feingold (D-WI); Tom Coburn (R-OK); Charles Schumer (D-NY); Dick Durbin (D-IL); Olympia Snowe (R-ME); Carl Levin (D-MI); Barbara Boxer (D-CA); Ron Wyden (D-OR); Jon Corzine (D-NJ); and Mark Dayton (D-MN).

3. HOMELAND SECURITY MOVES FORWARD ON HAZMAT SATELLITE TRACKING:

The Department of Homeland Security (DHS) has begun awarding grants for a pilot program designed to increase the security of cargo tank vehicles hauling hazardous materials such as petroleum products by using satellite tracking systems. Congress awarded $7.5 million in fiscal year 2005 to DHS's Transportation Security Administration (TSA) to fund the program. The announcement of the grants comes barely a month after the Department of Transportation's Federal Motor Carrier Safety Administration released a study concluding the security benefits of installing wireless communications with satellite tracking on trucks carrying hazardous materials outweighed the technology costs. Under the study, security equipment was installed in 100 vehicles carrying hazardous materials at costs ranging from $800 to $3,500 per vehicle. Security measures tested included wireless communications with GPS

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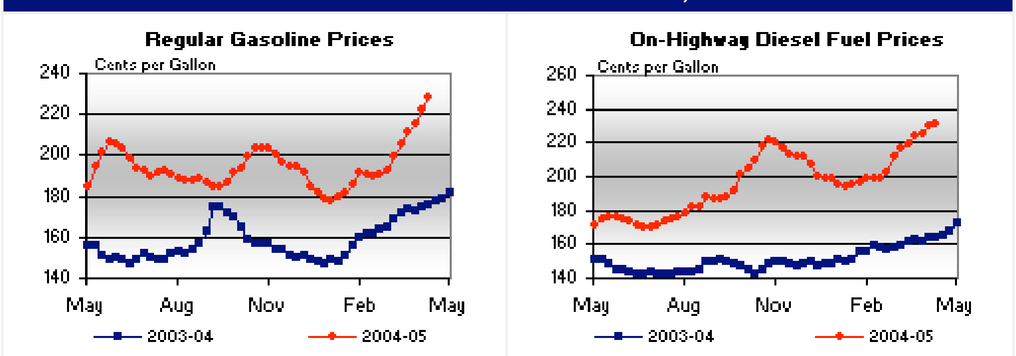
tracking, panic buttons, vehicle disabling, and trailer tracking. According to the study, the security measures "show promise for significantly reducing vulnerabilities, thereby reducing potential impacts of terrorist attacks." The study recommends that the DOT and TSA find ways to reduce the costs of installing new security equipment on trucks and focus on ease-of-use needs of drivers hauling hazardous materials. The study also recommended new driver training on security issues. The DOT is expected to follow up the study with new regulations that could require the installation of expensive security equipment on cargo tank vehicles. The DHS grant program is likely to serve as a model for upcoming security equipment regulations.

NEWS BRIEFS:

HAZMAT Placards - Secretary of Homeland Security Michael Chertoff announced this week that the existing system of placarding for hazardous materials shipments would remain unchanged for the time being. Chertoff caused a stir recently when he suggested that his department was considering the elimination of HAZMAT placards on trucks and rail cars because they might draw the attention of terrorists interested in using shipments as weapons of mass destruction. A 2004 study commissioned by Transportation Security Administration found that HAZMAT placards offered both security and safety benefits and should not be changed. The study found placards a better system than any of the alternative electronic technologies currently available.

New HAZMAT Security Regulations - The U.S. DOT’s Pipeline and Hazardous Materials Administration (PHSMA) announced this week that it would issue a proposed rulemaking to require new electronic security devices on trucks hauling hazardous material by July 1. Security equipment requirements could include two-way communications systems, satellite tracking systems and remote engine shutdown devices. The rule is also expected to include new security training requirements for HAZMAT drivers. A recent DOT study concluded that electronic security equipment in HAZMAT vehicles is worth the cost.

U.S. Gasoline and Diesel Fuel Prices, 04/11/05



U.S. Average Retail Gasoline Price Increases Another 6 Cents - The U.S. average retail price for regular gasoline increased this week by 6.3 cents from the previous week to reach 228.0 cents per gallon as of April 11, 49.4 cents higher than this time last year. Prices have increased by 38.2 cents since February 14, and this is the fourth week in a row that prices have reached an all-time high (when not adjusted for inflation). Retail diesel fuel prices gained 1.3 cents last week to 231.6 cents per gallon, reaching a new nominal high for the fourth week in a row. Prices were up throughout the country, with the West Coast gaining 4.4 cents to average 258.5 cents per gallon. Average diesel fuel prices in California also rose by 4.4 cents to reach 262.5 cents per gallon, which is 46.3 cents higher than this time last year.

Propane Reports Weekly Build-The first week of the traditional build season (April through September) saw U.S. inventories of propane increase by 1.0 million barrels, and ended the week of April 8, 2005 at an estimated 27.8 million barrels. With the arrival of warmer weather, propane stockholders should expect inventories to start showing consistent weekly gains as the build season finally begins in earnest. Propane imports were particularly strong last week at 267 thousand barrels per day, while production remained relatively unchanged at 1.1 million barrels per day.

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COMPLIANCE BULLETIN

April 15, 2005

IRS ISSUES NEW W-4 WITHHOLDING REGULATIONS

BACKGROUND: Under section 3402(f)(2)(A) of the U.S. Internal Revenue Code, every employee is required to furnish his or her employer with a signed W-4 *Employee's Withholding Allowance Certificate* on or before commencing employment. The regulations prescribe the form of the W-4 certificate that the employer must use. In addition, Section 31.3402(f)(2)-1(g) requires employers to submit all "questionable" W-4 Forms to the IRS. The IRS considers W-4s questionable if an employee claims more than 10 withholding exemptions or, claims a total exemption from withholding and the employer reasonably expects that the employee's wages will be $200 or more per week. Employers must submit questionable W-4s automatically whenever they are discovered.

REGULATORY ACTION: The IRS is issuing new regulations designed to relieve employers of the burden of automatically submitting copies of certain questionable W-4 forms and wants to more effectively address withholding noncompliance by using information already provided to the IRS.

NEW REGULATIONS: Under the new regulations, employers are no longer required to automatically submit W-4s on which an employee claims more than 10 withholding exemptions. In addition employers are no longer required to submit a copy of any W-4 on which an employee claims complete exemption from withholding if the employer reasonably expects that the employee's wages (from the employer) will be $200 or more per week.

IRS Request for W-4 - An employer is now required under the new regulations to submit a copy of any currently effective W-4 withholding exemption certificate *only when directed to do so in a written notice to the employer from the IRS*.

IRS W-4 Review, Determination and Notice – After reviewing a submitted W-4, the IRS will set the maximum number of withholding exemptions permitted for a specific employee or make a determination on whether the employee qualifies for an exemption from withholding and notify the employer of the withholding changes.

Employee Appeal - If the employee wants to claim exemption from withholding or claim a number of withholding exemptions more than the maximum number specified by the IRS in the notice, the employee must submit a new withholding exemption certificate and a written statement to support the claims made by the employee on the new W-4 certificate to the IRS. The employer must disregard the employee's new W-4 certificate until the IRS notifies the employer to withhold tax based on the new certificate.

Filing the Employee Appeal - The new regulations provide that the *employee* is responsible for sending this new W-4 certificate and written statement directly to the IRS. The option under the old regulations allowing the employee to send this information to the employer for forwarding to the IRS has been removed.

Customized W-4 Forms - The new regulations also clarify that a substitute withholding exemption certificate developed by the employer may be used in lieu of the prescribed IRS Form W-4, if the employer also provides the worksheets contained in the Form W-4 in effect at that time

COMPLIANCE DATE: These regulations are effective April 14, 2005.

Got Questions? Contact Mark S. Morgan at (202) 364-6767 or mmorganptsa@cox.net