

ROADS AND HIGHWAYS COMMITTEE MEETING -- FEBRUARY 11, 1971

The Roads and Highways Committee met in room 529 at 2:45 P. M. on February 11, 1971. Chairman Dierdorff called the meeting to order and all members were present except Ossmann.

Representative Wendell Lady was the conferee on House Bill No. 1158 and conferees on House Bill No. 1044 were as follows: Fred D. Allen, Topeka, League of Kansas Municipalities; Clarence W. Smith, Bellville, Cloud and Republic County Engineer; Harold F. Foley, Topeka, Shawnee County Engineer; Ted Farmer, Eldorado, Butler County Engineer; John R. Hiller, Topeka, President, Kansas County Commissioners Association; Ivan Sand, Riley County.

Attached is a list of the guests present.

HOUSE BILL No. 1158 - AN ACT relating to the motor-fuel tax law; concerning the rate of tax, allowance for certain losses and exempt transactions; amending KSA 1970 Supp. 79-3408, and repealing the existing section.

Mr. Lady explained the bill using attached exhibits 1, 2, 3, 4, 4a and 5.

HOUSE BILL No. 1044 - AN ACT relating to the construction and repair of bridges and culverts on county roads; providing for the use of day labor, authorizing the issuance of bonds and no-fund warrants and the levy of taxes to pay the cost thereof; amending KSA 68-1103 and 68-1116 and repealing the existing sections.

Mr. Allen introduced the commissioners and engineers and asked Mr. Smith to speak.

Mr. Clarence Smith said this amount was \$40,000 until 1951 when it was increased to \$80,000. He said that the County

Commissioners and Engineers Association feel this should be increased to \$200,000. He said he is sure you understand this would have to be by a vote of the electorate even if these monies are on hand and in the approved budgets. The unit cost for bridge construction, class A, in 1951 was \$48.60 a cubic yard -- in 1970 it was \$83.50. These were for the state of Kansas. Along with the unit increase in cost in twenty years, we have had increases in design that add another 30 or 40%. We feel \$20,000 is a more realistic figure than the \$120,000 as proposed in HB 1044.

They also wanted the \$25,000 amendment on page 4 of the bill. They feel that is also more realistic than \$15,000.

Mr. Ratner asked if they could give any statistics as to how many of these have been put on the ballot and how many won or lost.

Mr. Smith said they have not had any -- probably five in the state, and he does not know of one defeated.

Other conferees, as listed above, spoke in favor of the \$200,000 amount.

After the guests left, Mr. Gray renewed his motion from a previous day to limit the amount to \$120,000 which House Bill 1044 specifies.

Mr. Ratner made a substitute motion that House Bill 1044 be amended on lines 5 and 6 by making the figure "\$160,000". Mr. Lady gave the second to the motion.

Mr. Hayes proposed another substitute motion. He said

these people are closer to it than we are. They are the watch-dogs of the county funds. If they met and adopted this, they know what they are doing. I move that we amend House Bill 1044 on lines 5 & 6 by making the figure "\$200,000". Mr. Weaver made the second to the motion. Motion lost -- 10 NO, 7 YES.

The committee then went back to Mr. Ratner's and Mr. Lady's motion for "\$160,000". Motion carried -- 14 YES, 3 NO.

Chairman Dierdorff asked the sub-committee to get the amended bill ready for a vote by the committee on Monday, February 15.

The meeting was adjourned.

Fran Stafford, Recording Secretary

APPROVED:

Arden Dierdorff
ARDEN DIERDORFF, CHAIRMAN

February 15, 1971

ROADS AND HIGHWAYS

2-11-71

GUESTS

NAME	ADDRESS	FIRM OR CORPORATION REPRESENTED
✓ Clarence V. Smith,	Belleville	Cloud & Republic County Engineer
✓ HAROLD F. FOLEY	TOPEKA	STRAWKER COUNTY ENGR. KCEA LEG. COMM.
✓ TED FARMER	EL DORADO	BUTLER COUNTY ENGINEERS
Ray Nelson	Countland	Republic Co. Commissioner
Francis Parkin	McPherson	McPherson Co. Engr
Kurt A. Booe	Newton	# Harvey Co. Co. Engr
✓ James R. Hiller	Topeka	Pres Kans. Co. Comm. Olson,
✓ Duran Saml	Topeka	Pres 15 as Assn of Counties
✓ Guy Butler	Topeka	X.S. Consulting Engrs.
Walter M. Scott	Topeka	Kans Oil Marketers Assoc
Donald A. Bell	Wichita	Kansas Oil Marketers Assn
Neil Hutton	Wichita	Kansas Oil Marketers Assn
Armas Kramer	Wichita	Kansas Petroleum Council
Neal Caborn	Elk Falls	OFB Oil Co. Inc.
Ferry Miller	Topeka	Committee of Kansas Farm Organizations
✓ John Peterson	Topeka	Wright Cycle
✓ Carl V. Oaple of	Lawrence	Lawrence Co. Comm.
✓ Howard R. Smith	Halstead Kan.	Harvey Co. Comm.
✓ Gust. A. Lindholm	McPherson	McPherson Co. Comm.
✓ Fred D. Allen	Topeka	League of Ks. Municipalities

Exhibit 1



U. S. DEPARTMENT OF TRANSPORTATION
FEDERAL HIGHWAY ADMINISTRATION
BUREAU OF PUBLIC ROADS
512 West 6th Street
Topeka, Kansas 66603

June 9, 1969

IN REPLY REFER TO:

Mr. Merritt W. Buffon
Research Legislative Council
5th Floor, Capitol Building
Topeka, Kansas 66612

Dear Mr. Buffon:

The Bureau of Public Roads information referenced in the Nebraska fuel shrinkage report was obtained from a memorandum with attachment prepared by our Washington office. A study report containing such information has not been prepared.

In any analyses of motor-fuel consumption done by our Washington office, it is assumed that shrinkage in no case exceeds one percent. For the States that allow any amount greater than that, the Washington office assumes that the amount in excess of one percent was actually sold and used for highway purposes even though the State did not receive any tax revenue from it.

We have been advised that our Washington office has discussed the matter of shrinkages with State motor-fuel tax administrators and with oil industry representatives many times and has been assured that losses would seldom reach one percent unless, of course, the losses were in the nature of a natural disaster, major fire or some other such occurrence.

Enclosed is a tabulation of actual losses reported by a selected group of States that are considered to be representative. We hope this tabulation will be useful.

Sincerely yours,

A handwritten signature in cursive script, appearing to read "R. W. Morrissey".

For Robert W. Morrissey
Division Engineer

Enclosure

GROSS GALLONS OF MOTOR FUEL REPORTED, AND LOSSES
ALLOWED, SELECTED STATES, 1964-67

(In thousands of gallons)

<u>State</u>	<u>Year</u>	<u>Gross Gallons Reported</u>	<u>Actual Losses Reported Gallons</u>	<u>Percent of Gross</u>
Oklahoma	1967	1,446,816	6,037	.417
	1966	1,418,689	7,741	.546
	1965	1,346,017	2,892	.215
	1964	1,273,548	5,155	.405
South Carolina	1967	1,074,700	2,587	.241
	1966	1,022,237	3,112	.304
	1965	968,431	3,179	.328
	1964	913,072	3,768	.413
West Virginia	1967	636,255	3,795	.596
	1966	620,364	4,418	.712
	1965	587,308	4,457	.759
	1964	557,996	4,678	.838

MEMORANDUM

Research Department, Kansas Legislative Council August 19, 1969

GASOLINE TAX SHRINKAGE

Background

Forty-two states allow a credit to the distributors of motor vehicle products who pay the tax. This allowance is known variously as "shrinkage or evaporation allowance", "collection allowance", and "handling allowance". Some states make no allowance at all for the normal losses and costs in handling the gasoline tax, but almost all states have arrangements for taking care of instances of unusual verified losses.

In Kansas the law refers to this allowance as a handling allowance. It was originally installed at the 3 percent level in 1925 and was continued at that level when the gasoline tax was increased from the initial 2 cents to 3 cents a gallon. In 1933 the allowance was reduced from 3 percent to 2 percent, though the amount of motor fuel tax remained the same. In 1949 when the tax was increased to 5 cents per gallon, the shrinkage allowance was increased to 3 percent. It was raised in 1951 to 3 1/2 percent at which rate is continued until July 1 of this year when the gasoline tax went to 7 cents and the handling allowance was changed to 3 percent.

Changes in the rate of the allowance should be related to the amount of the tax to ascertain the real effect of the change in the allowance. For example when the rate of the handling allowance was decreased from 3 1/2 percent to 3 percent the total effect of the change was to increase the allowance in terms of dollars, for the tax increased from 5 cents a gallon to 7 cents. To say it differently, because of the increase in the tax rate the amount allowed for handling was increased 20 percent though the rate itself was decreased 14 percent. In general it will be remembered from the earlier materials presented that with the present 7 cents a gallon gasoline tax, each percent decrease in the handling allowance means approximately \$840,000 of added revenues to the State of Kansas.

This effect may be demonstrated in either of two ways:

EFFECT OF CHANGE OF RATE AND TAX

<u>Prior Law</u>		<u>Present Law</u>	
		7-1-69	
		<u>H.B. 1142</u>	
Gross gallons re- ported by dis- tributors (approx.)	1,200,000,000 gal.	Gross gallons re- ported by dis- tributors (approx.)	1,200,000,000 gal.
"Handling Allowance"	<u>3 1/2%</u>	"Handling Allowance"	<u>3%</u>
Gallons exempt from tax	42,000,000	Gallons exempt from tax	36,000,000
Tax	<u>5¢</u>	Tax	<u>7¢</u>
Handling Allowance in dollars	\$ 2,100,000	Handling Allowance in dollars	\$ 2,520,000

<u>Prior Law</u>		<u>Present Law</u>	
		<u>H.B. 1142</u>	
Tax per Gallon	\$.05	Tax Per Gallon	\$.07
"Handling Allowance"	<u>.035</u>	"Handling Allowance"	<u>.03</u>
Allowance per Gallon Motor Fuel	\$.00175	Allowance per Gallon Motor Fuel	\$.00210

Merchandising Practices From
the Sale of Gasoline

The Committee has had several indications of the different ways in which various segments of the oil industry are affected by the handling allowance. At the meeting in which the shrinkage was discussed, primarily small distributors were heard from, while at the meeting concerning the prices charged for motor fuels, large distributors represented the industry. Further, a number of states give indications to the differences within the industry by having applied scales to their allowances, with the smaller distributor receiving a higher allowance than the larger distributors. In Appendix A we have a table which shows that somewhat over half of the distributors (705 out of 1,230) handle less than 100,000 gallons in a quarter accounting for 12.1% of the gallons sold. On the other end of the scale 41 out of 1,230 distributors account for almost 50% (49.8%) of the gallons sold.

From the above calculations it will be immediately apparent that the handling allowance becomes a substantial amount for the big distributor.

The Research Department has been asked to identify what percentage of the gasoline goes directly from the point of receipt to the filling station and thus bypasses the bulk storage facilities. Without the considerable expenditure of time and money, it is most difficult to get anything like precise figures on this subject. We have for example the report in Appendix B which shows clearly a wide difference in the practices between two of the quite large distributors in the state on this matter. In some instances the distributor actually owns the gasoline until it is pumped through the service station pumps and sold to the customer. In these instances the handling allowance is for operations completely under the control of one company.

Possible Methods of Treating the Handling Allowance

We have surveyed and have considerable information about the practices in all of the fifty states, which information has been furnished to the Subcommittee. Without at this point considering what is the appropriate rate, it might be useful to present various types of plans used in other states. Rates may be inserted to accomplish whatever objective the Legislature desires. While there are many other alternatives or combinations that could be presented, the following three plans are at least possible approaches to the subject used by some states.

- A. Optional Plan -- Some states allow distributors to pay the tax on the amount of gasoline received with an option of not claiming the shrinkage allowance and paying the tax on the gallons of gasoline that he sells. This would provide, for example, in Kansas for the same people to pay the tax as now pay the tax, but would give them the choice as to whether they paid the tax on their sales or paid the tax less a shrinkage allowance on the gallons of gasoline which they received.
- B. Sliding Scale -- A sliding scale of collection allowances could be used so that the small volume distributor would receive a higher allowance than the high volume distributor. New distributors would have to charge a higher rate until the pattern of their operation was established. Any number of practicable breaking points could be established, though in general, of course, the fewer breaking points, the simpler would be the schedule of charges.

- C. Sliding Cumulative Scale -- The idea of a sliding schedule of allowance could be worked on a cumulative basis to avoid the question of unfairness of any established "breaking points." Under this plan all distributors would receive the same rate, but the distributors would have a lower rate applied to the last gallons they received.

Appropriate Rates

There is a wide variety of rates allowed as reflected in the information which has been supplied the Committee. There have been at least two studies in the State of Kansas which suggested the desirability of a 1 percent handling allowance. The United States Bureau of Public Roads apparently works on the assumption that any allowance in excess of 1 percent is considered something more than shrinkage. A number of state tax administrators have responded with approximately the same type of information about rates.

Of interest is the experience in the states of New Hampshire and North Carolina in which some distributors are allowed to make the choice as referred to under Method A above. That is to say, in these two states some distributors may choose to pay a tax less an allowance on what he receives or pay a tax without an allowance on what he sells. In New Hampshire where the shrinkage allowance is 1 percent, we are informed that 90 percent of the eligible distributors choose to pay the tax on their receipts less the 1 percent shrinkage allowance rather than paying the tax on what they sell.

In North Carolina the result is somewhat the same, though in North Carolina a sliding scale is used where the distributors may claim a monthly allowance of 2 percent on the first 150,000 gallons, 1 1/2 percent on the next 100,000 gallons, and 1 percent on all receipts over 250,000 gallons. The distributors of 95.7 percent of the total gallonage of gasoline on which tax was paid in the State of North Carolina chose to use the system of paying on what they receive less the shrinkage allowance rather than paying on what they sell.

* * *

The Research Department is willing to pursue any of these alternatives and collect further information along any line that the Committee desires.

Compensating Costs Allowance

*# 2,710.60 per mo.
on 1,500,000 gal.
doesn't include shrinkage*

APPENDIX A

MOTOR FUEL GALLONAGE -- SECOND QUARTER 1968

Number of Distributors, Taxable Gallons Reported by Distribution
Group and Percent of Total

<u>Distributor Groups by Thousands of Gallons</u>	<u>Number of Distributors</u>	<u>Total Taxable Gallons Reported</u>	<u>Percent of Total Gallons</u>
Over 1,000,000	41	146,611,124	49.8 %
900,000- 999,999	5	4,849,569	1.6
800,000- 899,999	7	5,782,555	2.0
700,000- 799,999	2	1,508,563	.5
600,000- 699,999	8	5,172,137	1.8
500,000- 599,999	15	8,111,634	2.8
400,000- 499,999	25	11,154,624	3.8
300,000- 399,999	45	15,389,714	5.2
200,000- 299,999	88	20,939,688	7.1
100,000- 199,999	289	39,038,178	13.3
0- 99,999	<u>705</u>	<u>35,627,294</u>	<u>12.1</u>
TOTAL	1,230	294,185,080	100.00%

SOURCE: Motor Fuel Gallonage Report -- Second Quarter, 1968.

MEMORANDUM

O: James T. McDonald,DATE: July 10, 1969Director of RevenueSUBJECT: Bulk Plant Deliveriesof GasolineFROM: Walter Dunn

I made inquiries of the two largest suppliers of gasoline in Kansas, concerning shipments of fuel to bulk plants. The following is the information I received:

The first company has independent distributors at most points. Therefore, their answer is based strictly on an estimate furnished by their regional sales manager. The percentage figures are as follows:

- 40% of deliveries are to bulk plants.
- 60% of deliveries are to direct retail outlets or consumer storage.

The company indicated this 40% delivery decrease each year, as new facilities are built and operational changes are made. Indications were that they thought the above was a good estimate of total industry today.

The second company does not have distributors, but company agents, and they operate with some 300 bulk plants. The information furnished is based on their records:

- Total sales - 120,800,000 gallons - year of 1968
- Bulk plant sales - 70%
- Direct shipment to consumers - 6%
- Direct to dealers from refinery or terminals - 24%

The reported total gallonage of the second company compares with our records. It could be that the records of this company might be similar to a small distributor in a farm community.

DIVISION: Motor Fuel TaxBY: Walter DunnTITLE: Chief

STATE MOTOR-FUEL TAX LOSS AND EXPENSE ALLOWANCES¹

Exhibit 3

Based on information obtained from State authorities and the laws of these States

TABLE MF-103
STATUS AS OF JANUARY 1, 1970

STATE	ALLOWANCES FOR ACTUAL LOSSES					FLAT PERCENTAGE ALLOWANCE FOR LOSSES IN STORAGE AND HANDLING				ALLOWANCE FOR LOSSES IN HANDLING AND COLLECTION EXPENSE				ALLOWANCE TO WHOLESALER FOR EXPENSE OF COLLECTION (LOSS NO CONSIDERATION)	
	BY DESTRUCTION	TO WHOLESALER			TO RETAILER ^{2/}	TO WHOLESALER		TO RETAILER		TO WHOLESALER		TO RETAILER		METHOD	PERCENTAGE OF QUANTITY TAXABLE
		IN STORAGE AND HANDLING				METHOD	PERCENTAGE	METHOD	PERCENTAGE	METHOD	PERCENTAGE	METHOD	PERCENTAGE		
		NO SPECIFIED PERCENTAGE	MAXIMUM PERCENTAGE SPECIFIED												
METHOD	METHOD	PERCENTAGE	METHOD	PERCENTAGE	METHOD	PERCENTAGE	METHOD	PERCENTAGE	METHOD	PERCENTAGE	METHOD	PERCENTAGE			
Alabama	Ex	Ex	-	-	-	-	-	-	-	-	-	-	Ex	3/2 to 1	
Alaska	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Arizona	-	Ex	-	-	-	Ex	1 (T)	-	-	-	-	-	-	-	
Arkansas	Re	-	-	-	-	-	-	-	-	Ex	2 to 1 (R)	-	-	-	
California	Ex	Ex	-	-	-	-	-	-	-	-	-	-	-	-	
Colorado	4/ Ex	-	-	-	-	-	-	-	-	Ex	1 (R)	Ex	1 (R)	-	
Connecticut	Ex or Re	Ex	-	-	-	-	-	-	-	-	-	-	-	-	
Delaware	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Florida	Ex	-	Ex	1 (T)	-	-	-	5/ Re	2 (R)	-	-	-	Ex	2 to 1	
Georgia	Ex	-	6/ Ex	1/2 (T)	-	-	-	-	-	6/ Ex	1 (D)	6/ Re	2 (T)	-	
Hawaii	-	-	-	-	-	Ex	1 (D)	-	-	-	-	-	-	-	
Idaho	Ex or Re	-	-	-	-	-	-	-	-	Ex	1 (D)	Ex	1 (R)	-	
Illinois	Re	-	Ex	1 1/2 (R)	Re	-	-	-	-	Ex	2 (T)	-	Ex	1/2	
Indiana	Ex or Re	-	-	-	Re	-	-	-	-	-	-	-	-	-	
Iowa	Re	Re	-	-	Re	-	-	-	-	Ex	3 to 1 1/4 (T)	-	-	-	
Kansas	4/ Ex	-	-	-	-	Ex	3 (R-G)	-	-	-	-	-	-	-	
Kentucky	4/ Ex	-	-	-	-	-	-	-	-	Ex	2 1/4 (T)	-	-	-	
Louisiana	4/ Ex or Re	-	-	-	-	8/ Ex	3 (T)	-	-	-	-	-	-	-	
Maine	Ex	Ex	2/ 1 (R)	-	-	Re	1/2 (T)	-	-	-	-	-	-	-	
Maryland	Ex or Re	Ex	1 (T)	-	Re	-	-	-	-	Ex	1 (T)	-	-	-	
Massachusetts	Ex or Re	-	Ex	1 (R)	-	-	-	-	-	-	-	-	Ex	1	
Michigan	Re	-	-	-	-	Ex	2 (T)	Ex	1 (T)	-	-	-	-	-	
Minnesota	4/ Re	Ex or Re	-	-	-	Ex	2 (T)	Ex	1 (T)	-	-	-	-	-	
Mississippi	4/ 10/ Ex or Re	-	-	-	-	Ex	2 (T)	-	-	-	-	-	-	-	
Missouri	Ex or Re	-	-	-	Re	-	-	-	-	Ex	3 (R)	-	-	-	
Montana	Re	-	-	-	-	6/ Ex	2 (T)	-	-	-	-	-	-	-	
Nebraska	Re	-	-	-	-	Ex	3 (R)	-	-	-	-	-	Ex	2 to 1/2	
Nevada	Ex or Re	-	-	-	-	-	-	-	-	Ex	2 (T)	-	-	-	
New Hampshire	Ex	-	11/ Ex	1 (R)	-	11/ Ex	1 (R)	Re	1 (R)	-	-	-	-	-	
New Jersey	Ex	-	Ex	1 (R)	-	-	-	-	-	-	-	-	-	-	
New Mexico	Re	-	-	-	Re	Ex	2 (T)	-	-	-	-	-	-	-	
New York	Ex or Re	Ex	1 (T)	-	-	Ex	1 (T)	-	-	-	-	-	Ex	(12/)	
North Carolina	Ex or Re	Ex or Re	-	-	-	Ex	2 to 1 (R)	-	-	-	-	-	-	-	
North Dakota	Ex	-	Ex	1 (R)	-	-	-	-	-	-	-	13/ Ex	1 (D)	Ex	2
Ohio	Re	-	-	-	-	Ex	2 (R)	Re	1 (R)	-	-	-	Ex	2 1/2	
Oklahoma	Ex	Ex	-	-	-	-	-	-	-	-	-	-	-	-	
Oregon	4/ Ex	Ex	-	-	-	-	-	-	-	-	-	-	-	-	
Pennsylvania	Ex or Re	Ex	-	-	-	-	-	-	-	-	-	-	Ex	2 to 1/2	
Rhode Island	Ex	Ex	-	-	-	-	-	-	-	-	-	-	-	-	
South Carolina	Ex	Ex	-	-	-	(14/)	-	-	-	-	-	-	Ex	15/ 2	
South Dakota	Ex or Re	-	-	-	-	-	-	-	-	Ex	4 1/2 to 2 (R)	-	-	-	
Tennessee	Re	-	-	-	-	Ex	1 1/2 (T)	-	-	Ex	-	Ex	1/2 (T)	-	
Texas	4/ Ex or Re	Ex or Re	-	-	Re	-	-	-	-	Ex	16/ 1 1/2 to 1/2 (T)	Ex	1/2 (T)	-	
Utah	-	-	-	-	-	-	-	-	-	Ex	1 (R)	Ex	1 (R)	-	
Vermont	Ex	-	11/ Ex	1 (R)	-	11/ Ex	1 (R)	-	-	-	-	-	-	-	
Virginia	-	-	-	-	-	Re	(17/)	-	-	-	-	-	-	-	
Washington	4/ Ex or Re	Ex	-	-	-	Ex	1/4 (T)	-	-	-	-	-	-	-	
West Virginia	Ex or Re	-	-	-	-	Re	1 1/2 (T)	-	-	-	-	-	-	-	
Wisconsin	4/ Re	-	-	-	-	Ex	1 1/2 (T)	Re	1/2 (T)	-	-	-	-	-	
Wyoming	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Dist. of Col.	Ex	-	Ex	2 (R)	-	-	-	-	-	-	-	-	-	-	

1/ Allowance is made as an exemption (Ex) or as a refund (Re). The symbols in parentheses, accompanying the percentages, have the following significances: (T)-quantity taxable; (R)-gross quantity received or produced; (I)-inventory at beginning of month; (D)-gross quantity sold or used; (S)-sales to other distributors.

2/ For actual losses by destruction and in storage and handling.

3/ Discount of two percent on first \$5,000 of tax paid and one percent on amount in excess of \$5,000. Maximum of \$200 discount allowed in one month.

4/ Tax may be refunded or tax credit given on losses of fuel on which the tax has been paid. In Oregon, the allowance is made to licensed dealers and subdealers only. In Texas, the allowance is made for losses of 100 gallons or more by fire or accident.

5/ Allowance is paid out of 4 cents of 7-cent tax.

6/ Allowance is made on 5.5 cents of 6.5-cent tax in Georgia and 6 cents of 7-cent tax in Montana.

7/ Actual cost of collection, not to exceed two percent.

8/ Allowance is made on the 4-cent and the original 1-cent taxes only.

9/ An additional 1 percent is allowed on fuel transferred in vessels, tank cars, or full tank truck loads by distributor from one of his places of business to another within the State, but the total allowance shall

not exceed 2 percent of the receipts, whichever is less, and no further deductions shall be allowed except when definite proof is submitted on loss sustained through fire, accident, or some unavoidable calamity.

10/ Actual loss less two percent flat allowance; no claims are honored for less than 750 gallons.

11/ Actual loss if tax is paid on sales, flat rate if paid on receipts.

12/ Allowance is 4/7 of 1 percent of motor fuel tax, and 2/3 of 1 percent of diesel fuel tax.

13/ No allowance is made on sales of special fuels.

14/ Importers, for their own use within State, are allowed an exemption of one percent of gross quantity received to cover loss.

15/ Deduction is 2 percent of a 5 cents per gallon tax not to exceed \$100.00 per month.

16/ Allowance of one percent on special fuels. Allowance of one-half percent each for the functions of distributor, wholesaler, and retailer of gasoline.

17/ Refund of one percent allowed on tax-paid fuel transferred within the State from one dealer to another when such fuel passes through a bulk storage plant.

Motor Fuel

ESTIMATES OF GASOLINE TAX AND INCREASES IN STATE REVENUE WITH A SPECIFIED GRADUATED ALLOWANCE FOR SHRINKAGE*

Distributors by Groups of Taxable Gallons Per Year Category		Actual Gal. (Taxable Plus "Shrinkage")	Taxable Gallons at 3% Shrinkage	Computation of Effect of Graduated Shrinkage Allowance			Amount of Tax Increase Under Proposed Grad. Schedule	
				Estimated Actual Gallons	Rate of Shrinkage	Taxable Gallons		Tax Receipts at 7¢ a Gal.
Under 1,000,000	992	325,482,338	315,717,868	325,482,338	2.0	318,972,692	\$ 22,328,088	\$227,838
1,000,000 to 2,000,000	85	119,972,989	116,373,799	85,000,000 34,972,989	2.0 1.5	83,300,000 34,448,394	5,831,000 2,411,388	59,500 36,723
Over 2,000,000	80	755,085,223	732,432,666	80,000,000 80,000,000 595,085,223	2.0 1.5 1.0	78,400,000 78,800,000 589,134,371	5,488,000 5,516,000 41,239,406	56,000 84,000 833,120
TOTAL	1,157	1,200,540,550	1,164,524,333	1,200,540,550		1,183,580,052	\$ 82,813,882	\$1,297,181

* This table reflects the number of gallons which would be taxed under a proposal of allowing all distributors a 2% "shrinkage" on their first million gallons each year; 1½% on their second million gallons; and 1% on the remainder. No estimate has been made for the increased consumption of motor fuel. These were the amounts reported in FY 1970. Consumption has been increasing at about 3% a year.

Prepared by: Research Department
Kansas Legislative Council
January 19, 1971

Revised:
February 8, 1971

Research Department, Kansas Legislative Council

February 11, 1971

MOTOR FUEL DISTRIBUTORS BY GROUPS AND NUMBER
OF GALLONS REPORTED*

<u>Group of Distributors Gallons in 4th Quarter 1969</u>	<u>Number of Distributors</u>	<u>Number of Gallons Reported*</u>
Below 500,001 gallons annually (Less than 125,000 gals. 4th quarter)	808	188,876,404
500,001 to 600,000 gallons annually (125,001 to 150,000 gals. 4th quarter)	58	31,725,184
600,001 to 700,000 gallons annually (150,001 to 175,000 gals. 4th quarter)	48	30,677,696
700,001 to 800,000 gallons annually (175,001 to 200,000 gals. 4th quarter)	31	230,078,600
800,001 to 900,000 gallons annually (200,001 to 225,000 gals. 4th quarter)	31	26,322,180
900,001 to 1,000,000 gallons annually (225,001 to 250,000 gals. 4th quarter)	16	15,037,804
1,000,001 to 2,000,000 gallons annually (250,001 to 500,000 gals. 4th quarter)	85	116,373,800
2,000,001 to 3,000,000 gallons annually (500,001 to 750,000 gals. 4th quarter)	26	63,949,892
3,000,001 to 4,000,000 gallons annually (750,001 to 1,000,000 gals. 4th quarter)	10	34,883,684
4,000,001 to 5,000,000 gallons annually (1,000,001 to 1,250,000 gals. 4th quarter)	7	30,703,628
5,000,001 to 6,000,000 gallons annually (1,250,001 to 1,500,000 gals. 4th quarter)	5	26,981,048
6,000,001 to 7,000,000 gallons annually (1,500,001 to 1,750,000 gals. 4th quarter)	6	39,439,784

<u>Group of Distributors Gallons in 4th Quarter 1969</u>	<u>Number of Distributors</u>	<u>Number of Gallons Reported*</u>
Over 7,000,001 annually (1,750,001 gals. 4th quarter and over)	<u>26</u>	<u>536,474,652</u>
TOTAL	1,157	1,164,524,356

* The number of gallons were estimated by multiplying the 4th quarter 1969 reports by 4. In previous years total payments in the 4th quarter have been within one percent of a fourth of a years total payments.

State Tax Review



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FUEL TAX RATES CONTINUE UPWARD SPIRAL

Motor fuel tax rates were increased in four states—Mississippi, Nebraska, Pennsylvania and West Virginia—during 1970 while a new motor carrier road tax was levied in Delaware. Contrast this against 1969 when 13 states raised their fuel tax rates.

In Pennsylvania, motor fuel and use fuel tax rates went from 7¢ to 8¢ per gallon on April 1, 1970, while an increase of 1½¢ per gallon (from 7¢ to 8½¢) in the West Virginia gasoline and motor carrier road tax began July 1, 1970. Also starting July 1, a new 7¢ per gallon motor carrier fuel purchase tax was imposed in Delaware. One cent per gallon fuel tax increases—enacted in 1969—in Mississippi and Nebraska took effect January 2, 1970, and January 1, 1970, respectively.

Gasoline Tax Rate Increases During Last 10 Years

Gasoline tax rates have increased steadily during the past ten years, as indicated by the following table. Tax rates given are per gallon.

State	Current Rate	Rate on July 1, 1965	Rate on July 4, 1960	State	Current Rate	Rate on July 1, 1965	Rate on July 4, 1960
Ala.	7¢	7¢	7¢	Mont.	7¢	6¢	6¢
Alas.	8¢	8¢	7¢	Neb.	8.5¢	7.5¢	7¢
Ariz.	7¢	6¢	5¢	Nev.	6¢	6¢	6¢
Ark.	7.5¢	7.5¢	6.5¢	N. H.	7¢	7¢	7¢
Calif.	7¢	8¢	6¢	N. J.	7¢	6¢	5¢
Colo.	7¢	6¢	6¢	N. M.	7¢	6¢	6¢
Conn.	8¢	6¢	6¢	N. Y.	7¢	6¢	6¢
Del.	7¢	6¢	5¢	N. C.	9¢	7¢	7¢
D. C.	7¢	6¢	6¢	N. D.	7¢	6¢	6¢
Fla.	7¢	7¢	7¢	Ohio	7¢	7¢	7¢
Ga.	6.5¢	6.5¢	6.5¢	Okla.	6.58¢	6.58¢	6.58¢
Hawaii* ..	5¢	5¢	5¢	Ore.	7¢	6¢	6¢
Ida.	7¢	6¢	6¢	Pa.	8¢	7¢	5¢
Ill.	7.5¢	5¢	5¢	R. I.	8¢	7¢	7¢
Ind.	8¢	6¢	6¢	S. C.	7¢	7¢	7¢
Iowa	7¢	7¢	6¢	S. D.	7¢	6¢	6¢
Kan.	7¢	5¢	5¢	Tenn.	7¢	7¢	7¢
Ky.	7¢	7¢	7¢	Tex.	5¢	5¢	5¢
La.	8¢	7¢	7¢	Utah	7¢	6¢	6¢
Me.	8¢	7¢	7¢	Vt.	8¢	6.5¢	6.5¢
Md.	7¢	7¢	6¢	Va.	7¢	7¢	7¢
Mass.	6.5¢	6.5¢	5.5¢	Wash.	9¢	7.5¢	6.5¢
Mich.	7¢	6¢	6¢	W. Va.	8.5¢	7¢	7¢
Minn.	7¢	6¢	5¢	Wis.	7¢	6¢	6¢
Miss.	8¢	7¢	7¢	Wyo.	7¢	5¢	5¢
Mo.	5¢	5¢	3¢				

* County tax rates are additional.