

MINUTES OF THE House COMMITTEE ON Transportation

The meeting was called to order by Rex Crowell at
Chairperson

1:30 ~~am~~ p.m. on February 27, 1986 in room 519-S of the Capitol.

All members were present except:
Representatives Knopp and Snowbarger - Excused.

Committee staff present:

Bruce Kinzie, Revisor of Statutes
Hank Avila, Legislative Research
Donna Mulligan, Committee Secretary

Conferees appearing before the committee:

Secretary Harley T. Duncan, Kansas Department of Revenue
Mr. Steven C. Montgomery, Kansas Oil Marketers Association

The meeting was called to order by Chairman Crowell and the first order of business was a hearing on HB-3030 concerning the point of collection of the tax on motor vehicle fuels and the principal business requirement to be a distributor.

Mr. Harley T. Duncan, Secretary, Department of Revenue, presented testimony in support of HB-3030. (See Attachment 1)

Secretary Duncan said HB-3030 makes two changes in the motor fuel tax statutes which affect only regular motor fuel or gasoline, and do not alter the taxation of special fuel or LP gas. He said HB-3030 (lines 61-63) deletes a requirement of current law that to qualify for the handling allowance deduction, the principal business of a distributor must be the marketing of motor fuel.

Secretary Duncan explained the second change (lines 69-71) strikes the current law provisions which allows the ex-tax transfer of fuel from one distributor to another. He explained the first licensed distributor who receives the fuel or to whom the fuel is consigned from the terminal will be responsible for collecting and remitting the tax.

Mr. Steven C. Montgomery, Kansas Oil Marketers Association, testified in support of HB-3030. (See Attachment 2)

Chairman Crowell asked if passage of HB-3030 will help the convenience stores sell fuel at a lower price and compete with other dealers who are motor fuel dealers only. Mr. Montgomery said this bill will clear up any ambiguity in the law that could be interpreted to deny the handling allowance to that type of operation. Many times operators of convenience stores are still handling as much fuel as someone whose primary business is selling motor fuel.

The hearing on HB-3030 was concluded.

The meeting was adjourned at 2:35 p.m.


Rex Crowell, Chairman

MEMORANDUM

TO: The Honorable Rex Crowell, Chairman
House Committee on Transportation

FROM: Harley T. Duncan
Secretary of Revenue



RE: House Bill 3030

DATE: February 27, 1986

Thank you for the opportunity to appear before you today on House Bill 3030. The Department of Revenue supports enactment of this bill.

House Bill 3030 makes two changes in the motor fuel tax statutes. The changes affect only regular motor fuel or gasoline and do not alter the taxation of special fuel or LP gas.

First, the bill (lines 61-63) deletes a requirement of current law that to qualify for the handling allowance deduction, the **principal** business of a distributor must be the marketing of motor fuel. Certain distributors (e.g., Kwik Shops) are not engaged principally in the business of marketing motor fuel, but they do exactly what any other full-time fuel distributor does. That is, they pick up fuel from a pipeline or terminal and deliver it to outlets at which it will be sold at retail. Therefore, they should, in my mind, be eligible for the handling allowance. With the change, the handling allowance will still be available only to distributors and not to consumers who buy in large lots.

The Department only recently became aware of the situation created by current law and the fact that certain entities who may technically not be qualified are claiming the handling allowance. We decided, however, not to change our current practice until the Legislature had an opportunity to address the matter.

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Attach. 1

The second change (lines 69-71) strikes the current law provision which allows the ex-tax transfer of fuel from one distributor to another. With the change, the first licensed distributor who receives the fuel or to whom the fuel is consigned from the terminal will be responsible for collecting and remitting the tax. This change is recommended for two reasons.

First, it will simplify the administration of the motor fuel tax. The Department currently spends a considerable amount of time reconciling returns involving these transfers to insure that all fuel is taxed and that all tax is collected. This time can be spent more productively in other areas of fuel tax auditing. Second, the change will eliminate an opportunity that now exists for fuel to avoid taxation. Without the audits discussed earlier, a series of these transfers could be used to escape taxation.

Since we first requested this bill, we have continued to discuss the legislation with the oil marketing industry. Implementation of the bill will require some terminals and refineries to change the information provided on their bills of lading. To allow sufficient time and provide for the smoothest possible implementation of the bill, we would request that the effective date be changed from publication in the statute book to January 1, 1987.

Thank you for this opportunity. I would be glad to attempt to answer any questions.

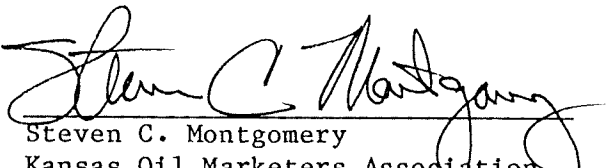
TO: HOUSE TRANSPORTATION COMMITTEE

FROM: STEVEN C. MONTGOMERY, KANSAS OIL MARKETERS ASSOCIATION

DATE: FEBRUARY 28, 1986

PREPARED TESTIMONY ON HOUSE BILL NO. 3030

The Kansas Oil Marketers Association (KOMA) appears in support of H.B. No. 3030. The Department of Revenue has received the input of our association with respect to the proposed changes included in this legislation. Specifically, we would emphasize that Secretary Duncan's suggested amendment, that the effective date should be changed to January 1, 1987, should be approved in order to provide the industry sufficient time to implement procedural changes which would become necessary to the enactment of this legislation. KOMA commends Secretary of Revenue and his staff for the cooperative effort he has fostered in proposing H.B. 3030.


Steven C. Montgomery
Kansas Oil Marketers Association

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Attach. 2