MINUTES OF THE MEETING
TAXATION COMMITTEE
MONTANA STATE SENATE

February 3, 1987

The fifteenth meeting of the Senate Taxation Committee was called to order at 8:00 A.M. on February 3, 1987 by Chairman George McCallum in Room 413/415 of the Capitol Building.

ROLL CALL: All committee members were present.

CONSIDERATION OF SB 228: Senator Van Valkenburg, Senate District 30, presented this bill to the committee. He said this bill would revise the allocation of that portion of the coal severance tax proceeds and interest which does not go into the permanent trust fund. It has a general fund impact during the coming biennium of around $38 million. It would reduce the allocation to the education trust and local impact account. The money that would otherwise go into the educational trust, would be transferred to the school foundation program and the money that would otherwise go into the local impact acount is reduced by $4.2 million or $4.4 million each year and that also goes into the school foundation program. This is necessary because of the tremendous need for general fund money in the school foundation program in the coming year to simply meet 0-0 schedules. The net result is that you don't have to spend as much for that particular program from the general fund. This bill also takes the money that had been deposited into the permanent trust fund from the other side, 15% of the interest, and deposits that into the general fund interest going into the general fund. That is worth approximately $5.5 million in each year of the biennium plus it also has that effect for 1987. He said there is the need for a minor amendment to this bill, see attached Exhibit 1. He said this is a very integral part of the Governor's proposal to balance the budget in this session. This is very similar to action taken in the 1985 session and the special session in June.

PROPONENTS: Tom Crosser, Governor's Budget Office, gave testimony in support of this bill. He said this is an integral part of the Governor's package and we believe it is essential in balancing the current budget in the state. This will generate $38.5 million by adopting a policy that the legislature has adopted in the past.

He said the 15% interest would deposit $17.5 million directly into the general fund and the other portion of the deposits, $21 million approximately, would go into the state equalization account for public education. The public education account is used to finance the foundation program and if the revenues generated to that account are insufficient, the general fund makes up the difference.

Murdo Campbell, Montana Coal Board, gave testimony in support of this bill. He furnished the committee with a resolution adopted by the Coal Board, attached as Exhibit 2.

Bruce Moerer, Montana School Board Association, gave testimony in support of this bill. He said while we do not think it is the most desirable situation, we are not in the most desirable situation. When we are asked the question where are we going to get this money for the foundation program if we don't use this, we do not have a good answer.

OPPONENTS: Eric Feaver, Montana Education Association, gave testimony in opposition to this bill. Again the Governor has proposed, and the legislature has the opportunity to endorse, a cap on the education trust. Clearly the foundation program needs the money but he does not support a cap on the education trust.

QUESTIONS FROM THE COMMITTEE: Senator Eck asked Senator Van Valkenburg if a pay back provision has been considered and how he would react to that idea.

Senator Van Valkenburg said certainly we want to rebuild but he would need to know the source of funding for the pay back before commenting further.

Tom Crosser said he did not believe any consideration was given to a pay back. He said he did not participate directly in the preparation of this legislation. The cap will discontinue at the end of the biennium and the distribution to the education trust does pick up at that point in time.

Senator Van Valkenburg closed.

CONSIDERATION OF SB 224: Senator Eck, Senate District 40, presented this bill to the committee. She said this bill addresses what is an acceptable method of paying gasoline distributors in the state. She furnished the committee with information concerning evaporation and shrinkage and cost of collection allowances provided by various states for motor fuel tax, attached as Exhibit 3. In 1952 the

distributors were allowed 2% of the six cent tax and all we had at that time was a six cent tax. Since that time the cost of gasoline, of doing business and the amount of tax have all increased. The gasoline distributors are asking for 2% of the total tax instead of 2% of the six cents.

PROPONENTS: Doug Alexander, Montana Petroleum Marketers, gave testimony in support of this bill. A copy of his testimony is attached as Exhibit 4.

Steve Visocan, Visocan Petroleum, gave testimony in support of this bill. There are several areas in which he sees a cost associated with the gasoline tax. They buy the fuel and pay the tax at the time the fuel is purchased rather than based on the sale of the fuel. He said we also have a tax on the inventory. There are losses due to evaporation and shrinkage. He furnished the committee with a copy of an invoice showing the gross amount of gallons and net gallons. The net gallons would reflect the loss due to shrinkage. See attached Exhibit 5. Another area is interest on the tax. They have sold a significant volume of fuel, and of $453,000 sold, $90,000 of that is tax. His interest cost is about $10,877. Another area is in collecting the tax and preparing the report. They furnish a good form to work with but it is not an easy task and requires a lot of time. They hire a person 1/2 time on a full time basis to collect data and make sure they are properly paying the state for the tax. It costs them $4,800 to pay this individual at $5.00 per hour for this service.

OPPONENTS: Gary Wicks, Director, Montana Department of Highways, gave testimony in opposition to this bill. He said his main concern is the amount we are dealing with here. He referred to the fiscal note and said his numbers are consistent with that. If the bill passed, as written now, we are talking about increasing the amount of money they receive $886,000 for the fiscal year which would end in 1989. It would go from the current $546,000 if the current gas tax says at 17 cents a gallon. If the legislature approves the increase that passed the House of three cents a gallon, the shrinkage allowance would go to $1.2 million. That is about a $1.7 million deduction from monies that would otherwise go to build Montana highways. He said we have a difficult time getting a fuel tax passed by the legislature and it seems that as soon as we get one passed there are efforts made to take the money away before we get the opportunity

to put it on the board. There will be other bills that will impact the Highway Department. The Highway Department ends up getting fairly less than more people think. He listed where the money goes to, leaving a balance of $24-25 million. He said that is what is left over for the highway program and that is why $1.7 million does mean something to the Highway Department.

Jim Manion, representing the Montana Automobile Assn., gave testimony in opposition to this bill. He said the concept is not something that they disagree with, perhaps it is slightly inequitable. He does share the same concern that Mr. Wicks expressed, the amount of money that does not go to the highway earmarked account that should come off the top.

QUESTIONS FROM THE COMMITTEE: Senator Bishop asked Steve Visocan what impact this will have on his own business.

Steve Visocan said if the increase goes through he could estimate it would be around $8,000 to $10,000.

Senator Mazurek asked Mr. Visocan what the present shrinkage allowance yielded to him.

Steve Visocan said around $5,000.

Senator Eck asked Norris Nichols to comment on the information she furnished to the committee in Exhibit 3.

Norris Nichols said some states don't allow anything for shrinkage and other states do allow something but there is no consistency. Some states allow a percentage and others allow a flat figure. Some states allow a share for the retailer. There are no two states the same.

Senator Mazurek asked Mr. Nichols if they have ever figured out what each percent is worth in a dollar amount to the distributor.

Mr. Nichols said he could get that information.

Senator Eck closed.

FURTHER CONSIDERATION OF SB 200: Senator McCallum appointed Senators Brown, Hirsch, Neuman and Severson to a subcommittee to review this bill. Senator Brown was appointed Chairman.

DISPOSITION OF SB 63: Jim Lear furnished the committee with amendments to SB 63 and reviewed them with the committee. See attached Exhibit 6.

Senator Hirsch said the effect of the amendments is to get at the boat situation where they can be taxed where located but the other property has to be gainfully employed to receive the tax of that county.

Senator Halligan said in the situation of big dozers that may sit idle for a whole tax year, if used the year before in a certain county it would still be taxed in the same place that it was used in the last year.

Jim Lear said this is identifying a single tax year, isolating a tax year and property located there on January 1. If it is not used, it is still located there January 1 and that is where it would be taxed.

Senator Mazurek said if you have equipment idle, you could park it there for the whole year.

Jim Lear said this would allow that.

Senator Neuman said if I have a construction operation and I live in Cascade County and have a job in another county, do I have to pay tax in the other county.

Senator Hirsch said yes, that is right.

Senator Neuman asked if the equipment operator could pay the tax in his own county if he wanted to.

Senator Eck said if the owner of the equipment wanted to be taxed where he resides he could use it in that county for a day or two at the beginning of the year.

Senator Hirsch made a motion that the amendments be adopted.

Senator Neuman said the construction company is located in one county, usually a county with a bigger city, but there is very little work in that county. Now the tax will go to those other counties where they do the work after the first of the year.

Jim Lear said the first step that needs to be met is that you have to have two competing counties for assessment.

Senator Neuman said once we pass this law there will be assessors out assessing this equipment.

Senator Halligan asked if when looking at the amendment, if other things other than heavy equipment, road graders, etc., were looked at.

Jim Lear said commercial property is what I was asked to address with this amendment.

Senator Mazurek asked if there was talk about prorating.

Senator McCallum said that is hard to do. One county gets the money and sometimes it is hard to get that county to release the proration to the other county.

Senator Hirsch's motion that the amendments be adopted carried with the committee.

Senator Brown made a motion that SB 63 DO PASS AS AMENDED. The motion carried 8-4, see attached roll call vote sheet.

ADJOURNMENT: The meeting adjourned at 9:20 A.M.

George McCallum
SENATOR GEORGE McCALLUM, Chairman

ah

ROLL CALL

TAXATION COMMITTEE

50th LEGISLATIVE SESSION -- 1987 Date 2-3-87

NAME	PRESENT	ABSENT	EXCUSED
SENATOR CRIPPEN	✓		
SENATOR NEUMAN	✓		
SENATOR SEVERSON	✓		
SENATOR LYBECK	✓		
SENATOR HAGER	✓		
SENATOR MAZUREK	✓		
SENATOR ECK	✓		
SENATOR BROWN	✓		
SENATOR HIRSCH	✓		
SENATOR BISHOP	✓		
SENATOR HALLIGAN, VICE CHAIRMAN	✓		
SENATOR McCALLUM, CHAIRMAN	✓		

Each day attach to minutes.

DATE 2-3-87

COMMITTEE ON Senate Taxation

VISITORS' REGISTER SB 224, SB 228

NAME	REPRESENTING	BILL #	Check One Support	Oppo
Steve Visocan	Visocan Petroleum	SB224	✓	
Mundo A. Campbell	Mt. Coal Board	SB228	✓	
Doug Alexander	Mont. Petroleum Marketers	SB224	✓	
Tom Crosser	OBPP	SB228	✓	
Kurt Krueger	Mont Petro Marketers	SB224	✓	
Ronna Alexander	Mont. Petroleum Marketers	SB224	✓	
Newell Anderson	Mt. Dept of Commerce	SB228	✓	
Jim Manion	Mont. Auto Association			
Morris Fields	Dept of Revenue	224		
Sheila Cates	State Library	228		
Harriett C. McCoy	LWV	228		
Gary Wicks	MDOH	224		
MATT THIEL	HSUM	228		

(Please leave prepared statement with Secretary)

AMENDMENTS TO SB 228
(Introduced Bill)

1. Page 16.
   Following: line 2
   Insert: "NEW SECTION. Section 12. Coordination instruction. If section 3 of this act and House Bill No. 12 are both passed and approved, the amendment to 20-9-343 (3)(c) contained in House Bill No. 12 is void."
   Renumber: subsequent sections

2. Page 16, line 10.
   Following: "March 31,"
   Strike: "1986"
   Insert: "1987"

3. Page 16, line 16.
   Following: "approval"
   Insert: "or April 1, 1987, whichever occurs later"

SENATE TAXATION
EXHIBIT NO. 1
DATE 2-3-87
BILL NO. SB-228

2-3-87
Senator Van Valkenburg

SB 228

A RESOLUTION OF THE MONTANA COAL BOARD RECOMMENDING THE DECREASE OF FUNDING FOR THE IMPACT ASSISTANCE PROGRAM FOR FY '88 AND '89 AND PLACING THESE FUNDS AT THE DISCRETION OF THE GOVERNOR TO HELP MEET THE STATE'S REVENUE NEEDS

WHEREAS, the Montana Coal board members are duly appointed by, and serve at the pleasure of, the Governor and are confirmed by the Montana Senate; and

WHEREAS, the Montana Coal Board's purpose is to administer the Local Impact Assistance Program; and

WHEREAS, the purpose of the Local Impact Assistance Program is to assist local governmental units which have been required to expand the provision of public services as a consequence of large scale coal development; and

WHEREAS, the Montana Coal Board believes the impact of decline issue is a future major concern, and a provision for its consideration should be adequately addressed to resolve this vital issue; and

WHEREAS, the Montana Coal Board shall award grants and loans from the revenue paid into the Local Impact and Education Trust Fund Account for FY '88 and FY '89; and

WHEREAS, the Montana Coal Board's obligation to assist the local governments in Montana impacted by large scale coal development has lessened due to the current reduction in coal production due to various nationwide and worldwide economic factors; and

WHEREAS, the Montana Coal Board is statutorily mandated to meet quarterly during FY '88; and FY '89 and is obligated for a final single payment of $712,650 to the Yellowstone County jail project from FY '88 funds; and anticipates future consideration of viable funding requests for continuation of ongoing projects and programs; and

WHEREAS, the Montana Coal Board recognizes the very real need for revenue to supplement the state general fund during the coming biennium.

NOW, THEREFORE, BE IT RESOLVED, that the Montana Coal Board recommend that the Governor propose a decrease in the amount of funding available to the Coal Board from 6.65% to 1.25% which will provide approximately $4.6 million for FY '88 and $4.7 million for FY '89, for a total of $9.3 million of relief for the general fund, for use in facing anticipated revenue shortfalls in the upcoming biennium.

SENATE TAXATION
EXHIBIT NO. 2
DATE 2-3-87
BILL NO. SB-228

The remaining projected receipts available to the Coal Board will be $1.8 million to fund current obligations and to consider future grant requests.

PASSED, ADOPTED, AND APPROVED by the Montana Coal Board on this 21st day of November, 1986.

MONTANA COAL BOARD

HERSHEL M. ROBBINS, Chairman

NELL KUBESH, Vice-Chairman

DARCY GALASSO

JACK G. STEVENS

MONTY LONG

DR. PAUL PALM

DR. DALE TASH

Senator Bock
From Norris Nichols

FEDERATION OF TAX ADMINISTRATORS
444 NORTH CAPITOL STREET, N.W., WASHINGTON, D.C. 20001

January 13, 1987

Norris Nichols
Administrator
Department of Revenue
Motor Fuel Tax Division
P.O. Box 5895
Helena, Montana 59601

Dear Mr. Nichols:

In accordance with your request for information on evaporation and shrinkage and cost of collection allowances provided by the various states for motor fuel tax, I have done a quick review of the information available to us, and enclose this data for your use.

If I can be of further assistance in this regard, please feel free to call.

Very truly yours,

Jonathan R. Lyon
Senior Staff Associate

SENATE TAXATION
EXHIBIT NO. 3
DATE 2-3-87
BILL NO. SB-224

FEDERATION OF TAX ADMINISTRATORS
444 NORTH CAPITOL STREET, N.W., WASHINGTON, D.C. 20001

January 13, 1987

ALLOWANCES FOR COST OF COLLECTION AND FOR EVAPORATION AND SHRINKAGE LOSSES - STATE MOTOR FUEL TAX LAWS

The tables that follow and supporting detail show the allowances for cost of collection and for evaporation and shrinkage losses under state gasoline tax and special fuels tax laws. There are also tables on allowances or refunds granted to retail dealers to cover evaporation and shrinkage losses.

FEDERATION OF TAX ADMINISTRATORS
444 NORTH CAPITOL STREET, N.W., WASHINGTON, D.C. 20001

SENATE TAXATION
EXHIBIT NO. 3
DATE 2-3-87
BILL NO. S.B. 224

TABLE 1

ALLOWANCES AND DEDUCTIONS FOR COST OF COLLECTION, EVAPORATION, AND SHRINKAGE - GASOLINE TAX

State	Tax Rate Per Gallon (cents)	Percent Allowance Evaporation & Shrinkage	Percent Allowance Cost of Collection	Percent Allowance Both
AL	11	2	2 to 1	-
AK	8	-	1	-
AZ	16	-		1
AR	13.5	-	-	3
CA	9	-	-	-
CO	18	2	.5	-
CT	17	-	-	-
DE	13	-	-	-
FL	4	-	6 to 3	-
GA	7.5	-	-	1
HI	15 to 19	-	-	1
ID	14.5	-	-	2
IL	13	-	2	-
IN	14	-	-	1.6
IA	16	-	-	3 to 1.25
KS	11	2.5	-	-
KY	15	-	-	2.25
LA	16	3	-	-
ME	14	1 to 2	-	-
MD	13.5	-	-	1
MA	11	1	-	-
MI	15	3	-	-
MN	17	3	-	-
MS	9	2	-	-
MO	7	-	-	3
MT	17	2	-	-
NE	18.2	3	2 to .5	-
NV	11.25	-	-	2
NH	14	1	-	-
NJ	8	-	-	-
NM	11	2	-	-
NY	8	-	-	-
NC	15.5	2 to 1	-	-
ND	13	1	2	-
OH	12	3	-	-
OK	10	-	2.5	-
OR	12	-	-	-
PA	12	-	2 to .5	-
RI	13	-	-	-
SC	13	1	2.65	-
SD	13	-	-	4.5 to 2
TN	17	-	-	1.5
TX	15	-	2	-
UT	14	-	-	2

FEDERATION OF TAX ADMINISTRATORS
444 NORTH CAPITOL STREET, N.W., WASHINGTON, D.C. 20001

SENATE TAXATION
EXHIBIT NO. 3
DATE 2-3-87
BILL NO. S.B. 224

TABLE 1 (continued)

ALLOWANCES AND DEDUCTIONS FOR COST OF COLLECTION, EVAPORATION, AND SHRINKAGE - GASOLINE TAX

State	Tax Rate Per Gallon (cents)	Percent Allowance Evaporation & Shrinkage	Percent Allowance Cost of Collection	Percent Allowance Both
VT	13	1	-	-
VA	17.5	1	-	-
WA	18	.25 of 1	-	-
WV	10.5	.5 of 1	-	-
WI	17.5	1.5	-	-
WY	8	-	-	-
DC	15.5	-	-	-

In addition, the following states permit gain or loss items to be indicated on the fuel tax return: Alabama, California, Connecticut, Maryland, Massachusetts, Missouri, Nevada, New Hampshire, New Jersey, New Mexico, New York, Ohio, Oklahoma, Pennsylvania, Rhode Island, Vermont, and the District of Columbia.

EXHIBIT I-A

DETAIL OF ALLOWANCES FOR EVAPORATION AND SHRINKAGE - GASOLINE

Alabama	2% of tax due, not to exceed $500 per month
Alaska	1% of tax due, not to exceed $100 per month
Colorado *	2% of gallons received
Georgia	1% of 5.5 cents per gallon of the tax due
Kansas	2.5% of the first one million gallons received, and 2% of gallonage in excess of one million
Louisiana	Qualified jobbers -- 3% of the first 4 cents of tax; dealers -- 3% of the first 1 cent of tax
Maine *	Allowance will be made for actual loss up to an amount equivalent to 1% of receipts plus 1% of transfers or to 2% of receipts, whichever is less
Massachusetts	Practice established of allowing a 1% deduction of tax for handling losses; evidence may be presented that a higher allowance should apply
Michigan *	2% of gallons received
Minnesota *	3% of gallons received
Mississippi	2% of tax due
Montana	2% of the first 6 cents of tax due
Nebraska	3% of gallons received
New Hampshire *	1% of gallons received
New Mexico *	2% of gallons received less deductions
North Carolina	2% on gross monthly receipts not exceeding 150,000 gallons, 1.5% on gross monthly receipts in excess of 150,000 gallons and not exceeding 250,000 gallons, and 1% on gross monthly receipts in excess of 250,000 gallons Optional methods: a) a percentage allowance if the distributor computed the tax on the "adjusted monthly receipts" basis; b) no percentage allowance if the tax is determined according to the "per gallon disposed of" basis

* See also Exhibit III-A, Detail of Allowances to Retailers

FEDERATION OF TAX ADMINISTRATORS
444 NORTH CAPITOL STREET, N.W., WASHINGTON, D.C. 20001

SENATE TAXATION
EXHIBIT NO. 3
DATE 2-3-87
BILL NO. S.B. 224

Exhibit I-A (continued)

North Dakota	Deduction of actual shrinkage on amount received: 1% maximum
Ohio *	3% of gallons received less deductions
South Carolina	1% of tax due on storage of gasoline
Vermont	1% of gross quantity of fuel obtained
	Distributor has the option of having the tax imposed upon motor fuel used or sold in the state or on the gross quantity of motor fuel obtained less a 1% allowance for shrinkage and evaporation losses
Virginia	.5% of tax paid, to a maximum of $500 per month
Washington	.25% of net gallons taxable
West Virginia	.5% of gallons received less deductions
Wisconsin *	1.5% of gallons received less deductions

* See also Exhibit III-A, Detail of Allowances to Retailers

Exhibit I-B

DETAIL OF ALLOWANCES FOR COST OF COLLECTION - GASOLINE

Alabama	2% of first $5,000 of tax paid, 1% of all amounts of tax paid in excess of $5,000; Maximum of $400 per month
Colorado	.5% of tax due
Florida	6% of tax due on first 500,000 gallons, less 3% of tax due on 500,000 gallons to 1,000,000 gallons
Illinois	2% of tax due
Indiana	1.6% of tax due
Nebraska	2% of tax remitted up to $5,000, .5% on all sums in excess of $5,000
North Dakota *	2% of tax due
Oklahoma	2.5% of net gallons reported for taxation
Pennsylvania	Discounts if tax is paid on time: 2% if tax is $50,000 or less; 1.5% on tax in excess of $50,000 and not exceeding $75,000; 1% on tax in excess of $75,000 and not exceeding $100,000; .5% on tax in excess of $100,000
South Carolina	2.65% of tax due, with a maximum of $750 per month
Texas	2% of tax due; interstate truckers are permitted a deduction of .5% of taxable gallons

* See also Exhibit III-B, Detail of Allowances to Retailers

FEDERATION OF TAX ADMINISTRATORS
444 NORTH CAPITOL STREET, N.W., WASHINGTON, D.C. 20001

SENATE TAXATION
EXHIBIT NO. 3
DATE 2-3-87
BILL NO. S.B. 224

Exhibit I-C

DETAIL OF ALLOWANCES FOR BOTH COST OF COLLECTION AND EVAPORATION AND SHRINKAGE - GASOLINE

Arizona	1% of tax due
Arkansas	3% of first 1,000,000 gallons
Georgia *	1% of the first 5.5 cents per gallon of tax due
Hawaii	Tax ranges from 15 to 19 cents depending on county
	A licensed distributor of motor fuel shall be entitled to deduct from the gallons of fuel reported for the month, one gallon for each 99 gallons of liquid fuel sold by retail dealers in that county or on that island during the month, as shown by certificates furnished by the retail dealer to the distributors and attached to the distributor's report.
Idaho *	2% of gallons received less deductions and exemptions
Indiana	1.6% of tax due
Iowa	3% of first 300,000 gallons received plus 1.25% of gallonage in excess of 300,000
Kentucky	2.25% of gallons received less deductions
	There is a deduction for evaporation, shrinkage, or unaccountable losses while in storage in any marine terminal, refinery, or pipeline terminal equal to the actual loss, not to exceed .75% of the total number of gallons used. For LPG, 1% of the tax can be deducted to cover unaccountable losses, bad debts, and handling and reporting the tax.
Maryland	1% of the tax due and payable, up to a maximum rate of 10 cents per gallon
Missouri	3% of gallons received less deductions
Nevada	2% of tax due

* See also Exhibit III-B, Detail of Allowances to Retailers

Exhibit I-C (continued)

South Dakota	4.5% of the first 2,500,000 gallons received each calendar month and 2% of any gallons in excess of such amount
Tennessee *	1.5% of tax due on gallons received less deductions
Utah	2% of gallons received less deductions

* See also Exhibit III-C, Detail of Allowances to Retailers

FEDERATION OF TAX ADMINISTRATORS
444 NORTH CAPITOL STREET, N.W., WASHINGTON, D.C. 20001

SENATE TAXATION
EXHIBIT NO. 3
DATE 2-3-87
BILL NO. S.B. 22

TABLE II

ALLOWANCES AND DEDUCTIONS FOR COST OF COLLECTION, EVAPORATION, AND STORAGE - SPECIAL FUELS

State	Tax Rate Per Gallon (cents)	Percent Allowance Evaporation & Shrinkage	Percent Allowance Cost of Collection	Both
CO	20.5	2	1	-
FL	4	-	6 to 3	-
HI	15 to 19	-	-	yes
IL	13	-	2	-
IN	14	-	1.6	-
KY	12	-	-	1
LA	16	-	-	3
MN	17	1	-	-
NV	13	-	2	-
NM	11	2	-	-
NY	10	-	-	-
ND	13	-	-	-
OH	12	3	-	-
OK	10	-	2.5	-
PA	12	-	2	-
SD	13	-	2 to 1	-
TX	15	-	2	-
VA	17.5	.5	-	-

In addition, Massachusetts, New York, and North Dakota permit special fuel loss or gain items to be indicated on the tax return.

FEDERATION OF TAX ADMINISTRATORS
444 NORTH CAPITOL STREET, N.W., WASHINGTON, D.C. 20001

EXHIBIT II-A

DETAIL OF ALLOWANCES FOR EVAPORATION AND SHRINKAGE - SPECIAL FUELS

Colorado	2% of net gallonage
Minnesota	1% of net gallonage
New Mexico	2% of gallons received less deductions
Ohio	3% of total gallons sold
West Virginia	.5 of gallons received less deductions

EXHIBIT II-B

DETAIL OF ALLOWANCES FOR COST OF COLLECTION - SPECIAL FUELS

Colorado	.5% of tax paid
Florida	6% of tax due on first 500,000 gallons, less 3% of tax on 500,000-1,000,000 gallons
Illinois	2% of the tax due
Indiana	1.6% of the tax due
Nevada	2% of the tax collected
Pennsylvania	2% of gross amount of tax due and paid
South Dakota	2% of first 25,000 taxable gallons, 1% of all taxable gallonage in excess of 25,000; maximum deduction of $500 per month
Texas	2% of taxable gallons, and 1% of taxable gallons for LPG: interstate truckers are permitted a deduction of .5% of taxable gallons

FEDERATION OF TAX ADMINISTRATORS
444 NORTH CAPITOL STREET, N.W., WASHINGTON, D.C. 20001

SENATE TAXATION
EXHIBIT NO. 3
DATE 2-3-87
BILL NO. S.B. 224

EXHIBIT II-C

DETAIL OF ALLOWANCES FOR BOTH COST OF COLLECTION AND EVAPORATION AND SHRINKAGE - SPECIAL FUELS

Georgia	1% of 5.5 cents per gallon of tax due
Hawaii	Tax ranges from 15 to 19 cents per gallon depending on county A licensed distributor of motor fuel is entitled to deduct from the gallons of fuel reported for the month, one gallon for each 99 gallons of liquid fuel sold by retail dealers in that county or on that island during the month, as shown by certificate furnished by the retail dealers to the distributors and attached to the distributor's report.
Kentucky	1% of the tax due for LPG
Louisiana	3% of net taxable gallons sold

TABLE III

ALLOWANCES TO RETAILERS - GASOLINE

State	Tax Rate Per Gallon (cents)	% Allowance	How Paid: Whlslr Must Share	How Paid: Refund Claim
CO	20.5	1% of tax	x	-
FL	4	1.4% of tax	-	x
GA	7.5	2% of first 5.5 cents of tax	-	x
ID	14.5	1% of tax	x	-
ME	14	.5% of tax	-	x
MI	15	1% of tax	x	-
MN	17	1% of tax	x	-
NH	14	1% of tax	-	x
NM	11	2% of tax	x	-
ND	13	1% of tax	x	-
OH	12	1% of tax	x	-
TN	17	.5% of tax	x	-
WI	17.5	.5% of tax	-	x

EXHIBIT III-A

DETAIL OF ALLOWANCES TO RETAILERS FOR EVAPORATION AND SHRINKAGE - GASOLINE

Colorado	1% of the 2% allowance granted to the distributor must be passed on to the retailer
Florida	Refund of 1.4% of the 4 cent tax may be claimed
Maine	Refund of .5% of the tax may be claimed
Michigan	Distributor must show that he has paid or credited retailer with 1/3 of the 2% deduction he gets on gasoline received
Minnesota	Distributor must show he has paid or credited retailer with 1/3 of the 3% deduction he receives on gasoline received
New Hampshire	Refund of 1% of tax may be claimed
New Mexico	Refund of 2% of tax may be claimed
Ohio	Distributor's form has entry entitled "1% allowance for gallons received" for retailer's loss due to evaporation and shrinkage
Wisconsin	Refund of .5% of tax may be claimed

FEDERATION OF TAX ADMINISTRATORS
444 NORTH CAPITOL STREET, N.W., WASHINGTON, D.C. 20001

SENATE TAXATION
EXHIBIT NO. 3
DATE 2-3-87
BILL NO. S.B. 224

EXHIBIT III-B

DETAIL OF ALLOWANCES TO RETAILERS FOR BOTH COST OF COLLECTION AND EVAPORATION AND SHRINKAGE - GASOLINE

Georgia	Refund of 2% of 5.5 cents of tax may be claimed
Idaho	1% of the total motor fuel tax due on each gallon sold to retail dealer is credited by wholesaler
North Dakota	Distributor must credit retailer with 1% of the total tax applied to gallons sold

EXHIBIT III-C

DETAIL OF ALLOWANCES TO RETAILERS; PURPOSE NOT DESIGNATED - GASOLINE

Tennessee	.5% of the tax applicable to gallons received less deductions must be credited to retailers

TESTIMONY ON SENATE BILL 224
From Montana Petroleum Marketers
by President Doug Alexander

I represent the small independent businessman who serves as a petroleum distributor in almost every town in the state. We do not work for large oil companies, we only sell their products. We are the people who are responsible for collecting and remitting the current .17¢ state and .09 Federal gasoline tax and the .17¢ state and the .15¢ federal diesel tax. I would like to emphasize that there are only two of us here this morning. Many of our members will be here tomorrow and will be contacting you concerning any questions you may have.

What is shrinkage? Why do we need an allowance for it? It is hard to understand and I will try to explain it the simplest way possible. Shrinkage is the loss of gasoline product that happens when gasoline is transported, moved or stored. GAs turns into vapors when there is a change in temperature.at both the product and/or the atmosphere or the air.

Montana's ambient temperature is 39 degrees. When gas is transported, when it is stored in all the bulk plants throughout the state there is a loss due to evaporation because of the extreme temperature change. When the physical properties expand and contract due to temperature changes, evaporation occurs and there is a loss of product. Please remember that we are asking for the loss in the Montana tax, not actual loss of product.

The original shrinkage allowance was passed in 1952. THe figure of 2% was accepted as the shrinkage allowance. The bill was written so that only the first.06¢ of montana tax would be affected. At that time the tax was only .06¢ and the bill was worded so that there would be no misunderstanding or conflict with the federal tax. Since that time, the tax has increased to a proposed .20¢ per gallon or an increase of more than 350%. Our shrinkage allowance has remained the same since 1952. You might say this is a housekeeping bill. This same bill presented in the 1985 session. The highway department was our only opposition. However, at that time the highway department indicated their approval as to our wishes but also indicated that this would affect their budget. We were advised in 1985 to present this at the next session and they would help us with it.

During the special session in 1986, the highway department created an amendment to help us regain the the 2% of the Montana tax that was created in 1952. This amendment was defeated on the floor of the Senate, during the last days of the session. Again, we had hoped that our request would be part of the newly proposed gasoline tax, but when the bill was created our chrinkage allowance was not included.

I would like to point out to you the percentage figures for those states that are not near to us in temperature variation.

North Dakota	4.5% on gross purchases
Idaho	1% on gross quantity sold
Minnesota	2% on gross quantity
Michigan	1.33% on gross quantity
Alaska	2% on gross purchases
Nebraska	3% on gross punchases
Indiana	2% on gross purchases

Please note that states that have a shrinkage allowance are northern tier states and

SENATE TAXATION
EXHIBIT NO. 4
DATE 2-3-87
SB-224

that states located to the south have a higher ambient temperature and therefore do not experince gasoline shrinkage.

Other factors to remember:
Please rembmer that Montana Petroleum Distributors receive no allowance for the collection, handling and remittance of Montana's gasoline taxes. Today those proposed taxes represent almost 25% of the total retail cost of gasoline prodcut. Remember also, that when an agricultural user applies for a refund and then fails to pay his bill to the distributor, the state of Montana is guarnateed payment of that tax by the distributor.

Please vote in favor of Senate bill 224.

...ana Refining Company

REMIT TO:
P.O. BOX 667
GREAT FALLS, MT. 59403

INVOICE
NO. 19718
DATE 6-10-86
TERMS: 1%-10-N11

DISCOUNT ALLOWED

AMOUNT	IF PAID BY
8868	6-20-86

SOLD TO:
£7032
ROSETH OIL COMPANY
BOX 866
GREAT FALLS, MT 59403

SHIP TO:
£7032
ROSETH OIL COMPANY
BOX 866
GREAT FALLS, MT 59403

ON: SHIPPED 6-09-86
HOW: SHIP TT
FOB: DEST [ ] ORIGIN [X]
FRT: PREPAID [X] COLL [ ]
OTHER:
OUR ORDER: L-4280
LOCATION:
TERMINAL: HELENA/E

PROD CODE	DESCRIPTION	SHIPPING REFERENCE	TX CL	UNITS GROSS	UNITS NET	UNIT	UNIT PRICE	PRODUCT AMOUNT	TAXES FEDERAL	TAXES STATE	TAXES SALES	TOTAL
2024	DIESEL £2 REF. HELENA, MT	670485	2	779900	778800	GL	458000	357194	00	00	00	3571
2011	GASO-LEADED REG. REF. HELENA, MT	838503	1	550000	548100	GL	557500	306625	00	00	00	3066
2012	GASO-UNLEADED REG REF. HELENA, MT	838503	1	400000	398600	GL	557500	223000	00	00	00	2230
							COLUMN TOTALS →	886819	00	00	00	

A/R £11310/06/00087951

PLEASE PAY THIS AMOUNT → $8,868.1

TY | FED: G – D – 81-82-0022J | ST G – MT 9-264 | ST: SALES TAX MT | PAGE 16705

CUSTOMER ORIGIN

SENATE TAXATION
EXHIBIT NO. 5
DATE 2-3-87
BILL NO. SB 224

Amend Senate Bill No. 63, Introduced Copy

1. Title, line 6.
Following: "15-8-408,"
Strike: "15-8-601,"

2. Title, lines 8 and 9.
Following: "AN" on line 8
Strike: "IMMEDIATE EFFECTIVE DATE AND A RETROACTIVE"

3. Page 1, line 21.
Following: "homes"
Strike: "arriving"
Insert: "with taxable situs"

4. Page 3, line 8.
Following: "taxes"
Insert: ", except that in the case of personal property used for hire, compensation, or profit the county wherein the property is first so used in a tax year is the county that shall be entitled to collect the taxes"

5. Page 3, line 9 through line 4, page 5.
Strike: section 3 in its entirety
Renumber: subsequent sections

6. Page 6, line 16.
Following: "located"
Strike: "and"
Insert: ","
Following: "assessed"
Insert: ", and used for hire, compensation, or profit"

7. Page 10, lines 15 through 17.
Following: "12." on line 15
Strike: remainder of line 15 through "approval" on line 17
Insert: "Applicability date"

8. Page 10, lines 18 and 19.
Strike: "(2) on line 18
Following: "applies" on line 18
Strike: "retroactively, within the meaning of 1-2-109,"

9. Page 10, line 20.
Strike: "1986"
Insert: "1987"

SENATE TAXATION
EXHIBIT NO. 6
DATE 2-3-87
BILL NO. SB-63

ROLL CALL VOTE

SENATE COMMITTEE TAXATION

Date February 3, 1987 Bill No. SB 63 Time 9:15 A.M.

NAME	YES	NO
SENATOR CRIPPEN	✓	
SENATOR NEUMAN		✓
SENATOR SEVERSON		✓
SENATOR LYBECK	✓	
SENATOR HAGER	✓	
SENATOR MAZUREK		✓
SENATOR ECK	✓	
SENATOR BROWN	✓	
SENATOR HIRSCH		✓
SENATOR BISHOP	✓	
SENATOR HALLIGAN, VICE CHAIRMAN	✓	
SENATOR McCALLUM, CHAIRMAN	✓	

Aggie Hamilton
Secretary

Senator George McCallum
Chairman

Motion: Senator Brown's motion that SB 63 DO PASS AS AMENDED.

Carried 8-4.

1987

STANDING COMMITTEE REPORT

SB63

February 3, 19 87

MR. PRESIDENT

We, your committee on Taxation

having had under consideration Senate Bill No. 63

first reading copy (white color)

CLARIFY PROCEDURE FOR ASSESSING PERSONAL PROPERTY

Respectfully report as follows: That Senate Bill No. 63

BE AMENDED AS FOLLOWS:

1. Title, line 6.
Strike: "15-8-601,"

2. Title, lines 8 and 9.
Strike: "IMMEDIATE EFFECTIVE DATE AND A RETROACTIVE"

3. Page 1, line 21.
Strike: "arriving"
Insert: "with taxable situs"

4. Page 3, line 8.
Following: "taxes"
Insert: " except that in the case of personal property used for hire, compensation, or profit the county in which the property is first so used in a tax year is the county that shall be entitled to collect the taxes"

5. Page 3, line 9 through line 4, page 5.
Strike: section 3 in its entirety
Renumber: subsequent sections

6. Page 6, line 16.
Strike: "and"
Insert: ","
Following: "assessed"
Insert: ", and used for hire, compensation, or profit"

XXXPASS

XXXNOPASS

Chairman.

February 3, 87
..... 19.....

7. Page 10, lines 15 through 17.
Following: "12." on line 15
Strike: remainder of line 15 through "approval" on line 17
Insert: "Applicability date"

8. Page 10, lines 18 and 19.
Strike: "(2) on line 18
Following: "applies" on line 18
Strike: "retroactively, within the meaning of 1-2-109,"

9. Page 10, line 20.
Strike: "1986"
Insert: "1987"

AND AS AMENDED
DO PASS

.....
Senator McCallum