

OFFICE OF FISCAL AND PROGRAM REVIEW

Date: April 1, 2013
To: Members, Joint Standing Committee on Taxation
From: Elizabeth Cooper, Legislative Analyst

LD 996, An Act To Improve the Accuracy of Fuel Tax Reporting

Summary: This bill changes the method for calculating an annual allowance for certain losses of combustion engine fuel and special fuel by a licensed supplier or distributor. Current law provides:

- For gasoline distributors, an allowance of not more than $\frac{1}{2}$ of 1% of the amount of gasoline received plus $\frac{1}{2}$ of 1% on all transfers from one licensed distributor to another within the State to cover losses for shrinkage, evaporation or handling. The total allowance for these losses may not exceed 1% of the receipts.
- For special fuel suppliers an allowance of not more than $\frac{1}{4}$ of 1% of the amount of special fuel received plus $\frac{1}{4}$ of 1% on all transfers from one licensed distributor to another to cover losses for shrinkage, evaporation or handling. The total allowance for these losses may not exceed $\frac{1}{2}$ % of 1% of the receipts.

The bill bases the calculation of the annual allowance for certain losses on the “net gallons” of fuel received and fuel transferred. “Net gallons” is defined as the amount of fuel after it is adjusted to a temperature of 60 degrees Fahrenheit and a barometric pressure of 14.7 pounds per square inch. The bill allows the calculation of the allowance for losses to be based on gross gallons if elected by the licensed supplier or licensed distributor.

Public Hearing:

Proponents

- The sponsor presented the bill and provided written testimony.
- Those testifying in support of the bill included representatives from: Sprague Operating Resources, Global Partners LP, Maine Energy Marketers Association and the Maine Department of Economic and Community Development. Maine State Chamber of Commerce submitted written testimony in support of the bill.
- *Major points:* industry standard is to calculate inventory “shrinkage” on 60-degree Fahrenheit basis; Maine’s current method taxes gallons that were not sold; standard in many states and used by federal government.

Opposed - none

NFNA- none

Additional information provided:

- MRS rule 501 - Reporting Under Gasoline Tax Act (This can be found online at: <http://www.maine.gov/revenue/rules/homepage.html>)
- Annual Shrinkage Allowance Computation sheets for gasoline distributors and special fuel suppliers (See: <http://www.maine.gov/revenue/fueltax/homepage.html>)

Requests: Other New England states, shrinkage amounts, IRS calculation, New Hampshire administrative law ruling

Fiscal Information: The preliminary fiscal impact statement was not available at the time this analysis was finalized. The most current fiscal information can be found online at: www.mainelegislature.org/LawMakerWeb/search.asp.

