



Department of
Taxation

Chairman McColley, Ranking Member Reece, and Members of the Finance Transportation Subcommittee: Thank you for allowing me to testify this afternoon. I'm Joe Testa, Tax Commissioner of the Ohio Department of Taxation (ODT). I'm here to provide testimony on the changes to the taxation of motor fuel, specifically the point at which fuel is taxed and the simplification of both the tax levies and the distribution of revenue. There is no increase to the motor fuel excise tax rate.

This proposal moves the point at which the motor fuel excise tax is applied from the wholesale level up to the refinery rack/terminal beginning in 2018. This change aligns the motor fuel taxpayer base with the federal excise tax and many other states, as well as with the base for Ohio's petroleum activity tax. The number of taxpayers will be reduced from about 585 to close to 100. By moving the point of taxation up in the distribution chain, other states have realized benefits from the better tracking of fuel.

An additional change removes the evaporation/shrinkage allowance of \$18 million currently afforded to motor fuel dealers and retailers each year. Because of industrial and technological advances in concert with stricter EPA regulations, levels of shrinkage and evaporation have diminished making the allowance less justifiable.

Each year, I task my staff to come up with ways to simplify the tax code. One of the ideas that came out of that effort was to consolidate the numerous motor fuel tax levies and distribution sections into one. Current law is archaic and levies five distinct and separate taxes for varying purposes, and includes four separate distribution methodologies to pay out money from those levies. This proposal consolidates all five levies into a single levy of 28 cents, while fully

maintaining the original purpose of each of the former separate levies, and keeping all recipients of the revenue whole.

In addition, this proposal seeks parity in the taxation of fuel used to propel automobiles on the highway by including compressed natural gas (CNG) in the motor fuel tax base.

Finally, under current law, motor fuel dealers are required to report sales of aviation fuel, even though there is no tax implication. Although some aviation fuel is reported to ODT each month, the Department's ability to track aviation fuel in Ohio is limited. This proposal will require aviation fuel dealers to obtain a license – similar to the motor fuel dealer's license they should have today – and to file monthly reports so that the state can collect the data needed to comply with a recent amendment to the FAA's Airport Revenue Use Policy. Aviation fuel will continue to be exempt from motor fuel tax.

Chairman McColley, thank you again for the opportunity. I'm happy to answer any questions you or your fellow members may have.