

Testimony in Opposition to Ohio House Bill # 62

The Midwest Independent Retailers Association (MIRA) is trade association supporting small businesses in the gas station and convenience store industry. The majority of C-Stores/Gas Stations in Ohio are operated as small businesses.

MIRA members serve motorists and keep commerce moving within and throughout the state. They hire local employees and support local communities.

Fuel price increases are always met with disdain by the motorist. Unfortunately, the small business owner/operator is the recipient of the driver's anger. What most consumers don't realize is that there is little, if any, net profit in selling gasoline. Motorists are irrational when it comes to gasoline purchasing. Research by national organizations reflects the fact that two-thirds of motorists will drive five miles out of the way to save five (5) cents per gallon! That may not be sensible, but it's a fact we must live with. The majority of motorists shop for the lowest gasoline price, resulting in cut-throat competition that squeezes margins. Since credit card fees charged by processors and banks are a percentage of the sale, the cost of accepting credit cards increases the cost for the retailer as the price increases, thereby reducing profit margins.

The proposed 18 cents-per-gallon tax increase will definitely have an adverse effect on volume and profits for fuel retailers. The more dollars the motorist puts in the gas tank, the less money is spent on the ancillary offerings inside the convenience store. The secondary products offered inside gas station locations are the items retailers make a reasonable profit on, allowing them to stay in business. The reason stand-alone gas stations no longer exist is because the net profit from gas sales is inadequate to support a business. The industry has shifted towards making C-Stores, Car Washes, repair facilities, laundromats, etc. an integral part of gas station locations. A gas tax increase will result in lower gas volume and reduced sales and profits in the companion sales. It's an adverse double-whammy to the small business owner.

The retailer pays all the taxes upfront on his invoice from the supplier. It is then the responsibility of the retailer to collect the tax from the consumer. The tax allowance of 3% was reduced to 1% and that allowance needs to be increased. Consideration must be given to the fact that fuel upon which taxes were paid

must be totally recouped from sales. Consideration must be given to bad debt write-offs, fuel thefts by drive-offs, or spills, where the taxes were paid but the fuel was never "sold".

In addition, there is also actual "shrinkage" of the fuel delivered to the retail site when it is stored in the underground storage tanks (UST). The fuel is usually warmer from the supplier than the temperature in the UST causing it to actually shrink. Science says shrinkage is about 1% for each 15 degrees change in temperature.

On another front, hybrid and electric vehicles use roads and bridges without paying the gas tax. Before raising the gas tax, consideration needs to be given to increasing registration fees or some other method of equalizing the use of roads with taxes collected.

MIRA would not support "indexing" of the gas tax. A percentage increase each year gets applied to an ever increasing base resulting in higher cents-per-gallon increases for the same CPI rate. Also, unforeseen situations take place that need to be addressed by the then serving legislators without being hog-tied by "indexed" increases.

In conclusion MIRA cannot support House Bill # 62 as presently proposed. We ask that reconsideration be given to:

- 1.) The actual needs to keep roads and bridges in good shape.
- 2.) Restoring the "shrinkage" allowance.
- 3.) More equitable taxation of alternative fuel vehicles.
- 4.) Elimination of the "indexing" portion of the proposal.