



MEMORANDUM

TO: Members of the Transportation, Commerce and Workforce Committee

FROM: Terry Fleming

RE: Evaporation/Collection Allowance

Most states have some sort of Collection/Evaporation Allowance for petroleum products sold by service stations.

The allowance is in recognition that taxes are pre-paid by the retailer as the fuel is delivered or very shortly thereafter. So, the inventory 'in the ground' includes the prepaid Federal and State Road and/or Motor Fuel taxes. There is also recognition that some of the product can evaporate and contract as it stored as much as 16 feet below the surface.

The state has allowed a credit of one percent of the state Road Tax as recognition that the retailer prepays the road tax and then must collect it from the motorist. And, for the administrative work involved in completing the taxation reports. Often times the retailer doesn't collect all the taxes that were prepaid because of evaporation of the product before the sale.

Additionally, the allowance is granted to recognize that the retailer is acting as a collection agent for the state for the state road tax.

This allowance is traditionally divided equally between the wholesaler and retailer.

If you need further information on this please contact Ed Weglarz at eweglarz@afpdonline.org or 800-666-6233.