



MEMO TO: House Taxation Committee  
FROM: Thomas M. Palace, Executive Director of the Petroleum Marketers and  
Convenience Store Association of Kansas  
DATE: March 12, 2019  
RE: HB 2381/HB 2370

Mr. Chairman and members of the House Taxation Committee: My name is Tom Palace and I am the Executive Director of the Petroleum Marketers and Convenience Store Association of Kansas (PMCA), a statewide trade association that represents over 275 independent petroleum marketers and convenience store retailer throughout Kansas.

I appreciate the opportunity to offer testimony in opposition to HB 2381/HB2370.

PMCA does not support the fuel tax increase in these bills. In fact, on the contrary, we believe the fuel tax should be lowered. If the Kansas Legislature can approve sweeping over \$2.5 billion dollars out of KDOT and continue with projects and maintenance, Kansans are paying more than enough in fuel excise taxes.

The money that KDOT receives annually is sufficient to maintain roads and complete the road projects (TWorks) that were promised years ago...that is if the legislature did not sweep the funds for other administrative services.

**For retailers that compete on the border, we will see further deterioration of their customer base if these taxes are approved and Kansas will lose with lost sales tax.**

Convenience store owners in Kansas who compete with bordering states are already at a disadvantage due to the disparity of the excise tax rates. Current rates are:

KS	\$.24 (gas)	\$.26 (diesel)
NE	\$.30	\$.30
MO	\$.17	\$.17
CO	\$.22	\$.205
OK	\$.19	\$.19

(does not include environmental and inspection fees)

**If HB 2381 passes Kansas will have the highest motor fuel tax rate of all 3 out of 4 contiguous states.**

**Potential Motor Fuel Tax Advantages for contiguous states:**

MO	\$.13 advantage on gas	\$.15 advantage on diesel tax
NE	\$ 0	\$.02
CO	\$.08	\$.115
OK	\$.11	\$.13

(Includes environmental and inspection fees)

*I have also included with my testimony a state-by-state comparison of fuel tax rates for your review.*

Compare rates – Kansas will have the highest motor fuel tax rate!

Fuel retailers and distributors collect **over \$400 million annually in motor fuel tax.**

Consumers buy fuel based on price. The National Association of Convenience Stores has reported that consumers are more sensitive to gas prices than other top economic concerns. Consumers will change their behavior to save a few cents per gallon. In fact, it would not be uncommon for a person to drive 10-12 miles out of their way to save 2 cents per gallon. Price is the deciding factor where consumers purchase fuel. If people are willing to drive 5-7 miles out of their way to save 2 cents per gallon, it is a pretty good guess that driving 10-15 miles (or more) out of their way to save 17 or 13 (MO & OK) cents per gallon makes sense.

***What One Retailer Did***

It is no secret that there is a tax disparity for retailers who compete along the border. Not too long ago (2010) a Kansas retailer decided to change its street address to a Missouri address. I am referring to the actions taken by the QuikTrip Corporation. QuikTrip moved a store in Kansas City, Kansas 100 feet to the east so that it would have a Missouri address – at a cost of \$3.4 million. The loss to Kansas was estimated to be \$1.4 million in state and local taxes. The \$1.4 million is a financial loss that Kansas cannot afford. I would venture a guess that if more Kansas convenience store retailers had the corporate backing to be able to do the same thing QuikTrip did, they would give serious consideration to a similar move.

When fuel prices increase, so do credit card processing costs...***and unlike the state or local government, we cannot pass on the fees to the consumer.*** Today 89% of fuel sales are paid by debit or credit card. For a convenience store credit card fees account for one of the highest expense items on a P &L, just below employee costs.

Convenience stores are small businesses in Kansas that serve valuable services for many areas of a community. In many instances the c-store is the only access to food, ie. bread, milk etc. For the under privileged c-stores may be the only merchant accepting food stamps in their neighborhood. In a number of instances, a C-Store also act as the only available source of over the counter medication. And of course, could be the only fueling source for your vehicle.

Convenience stores are a major source of employment and sponsor many community activities and events. The loss of which would have a huge impact on our cities and towns across the state. We feel that C stores are often over looked for what they offer a community.

My point is an increase in taxes on motor fuel, the bread and butter of a convenience stores, will affect all c-stores and have a huge impact on the Mom and Pop convenience stores that PMCA represents. Legislation which is passed that gives a business in another state a competitive advantage over a Kansas business is a slap in the face for the very businesses that legislators say they want in our state.

Mr. Chairman, the tax increases being proposed by HB 2381 and HB 2370 will have a negative impact on all convenience stores that try to compete on the border. Retailers are still feeling the effects (lost sales) from the tobacco and sales tax increases levied in 2015. I can't say that raising motor fuel taxes will put someone out of business...but if you compete on the border it gives your customer one more reason to drive across the border for convenience items.

*Consumers won't change what they buy; they will change where they buy; they will simply find a cheaper way to purchase their goods.* More specifically, retailers who compete along the border are hit the hardest when tax increases in their home state are passed. They watch the exodus of their customers cross the state line without the wherewithal to do anything about the cost disparity. They simply can't lower their prices enough to be competitive.

The tax increases proposed are excellent **economic development for our neighboring states!**

Thank you.

## State Motor Fuel Tax Rates

(January 1, 2019)

	GASOLINE			DIESEL FUEL			GASOHOL			Notes
	Excise	Fee/Tax	Total	Excise	Fee/Tax	Total	Excise	Fee/Tax	Total	
Alabama /1	18.0		18.0	19.0		19.0	18.0		18.0	
Alaska	8.0	0.95	8.95	8.0	0.95	8.95	8.0	0.95	8.95	Refining Surcharge
Arizona	18.0	1.0	19.0	26.0	1.0	27.0	18.0	1.0	19.0	/8 LUST Tax
Arkansas	21.5	0.3	21.8	22.5	0.3	22.8	21.5	0.3	21.8	Environmental fee
California	41.7	6.0	47.7	36.0	31.0	67.0	41.7	6.0	47.7	Includes prepaid sales tax /7
Colorado	22.0		22.0	20.5		20.5	22.0		22.0	
Connecticut	25.0		25.0	43.9		43.9	25.0		25.0	Plus a 8.1% Petroleum tax (gas)
Delaware	23.0		23.0	22.0		22.0	23.0		23.0	Plus 0.9% GRT
Florida /2	18.1	13.925	31.425	19.1	13.8	32.3	18.1	13.925	31.425	Sales tax added to excise /2
Georgia /5	27.5		27.5	30.8		30.8	27.5		27.5	/5 Local sales tax additional
Hawaii /1	16.0		16.0	16.0		16.0	16.0		16.0	Sales tax additional
Idaho	32.0	1	33.0	32.0	1	33.0	32.0	1	33.0	Clean Water Fee
Illinois /1	19.0	1.1	20.1	21.5	1.1	22.6	19.0	1.1	20.1	Sales tax add., env. & LUST fee /3
Indiana /5	29.0		29.0	48.0		48.0	29.0		29.0	Sales tax additional
Iowa	30.5		30.5	32.5		32.5	29.0		29.0	
Kansas	24.0	1.03	25.03	26.0	1.03	27.03	24.0	1.03	25.03	Environmental & Inspection fees
Kentucky	24.6	1.4	26.0	21.6	1.4	23.0	24.6	1.4	26.0	Environmental fee /4 /3
Louisiana	20.0	0.125	20.125	20.0	0.125	20.125	20.0	0.125	20.125	Inspection fee
Maine	30.0		30.0	31.2		31.2	30.0		30.0	
Maryland /5	35.3		35.3	36.05		36.05	35.3		35.3	/5
Massachusetts	24.0		24.0	24.0		24.0	24.0		24.0	
Michigan	26.3		26.3	26.3		26.3	26.3		26.3	Sales tax additional
Minnesota	28.5	0.1	28.6	28.5	0.1	28.6	28.5	0.1	28.6	Inspect fee
Mississippi	18.0	0.4	18.4	18.0	0.4	18.4	18.0	0.4	18.4	Environmental fee
Missouri	17.0	0.42	17.4	17.0	0.42	17.4	17.0	0.3	17.3	Inspection & Load fees
Montana	31.5		31.5	29.25		29.25	31.5		31.5	
Nebraska	29.6	0.9	30.5	29.6	0.3	29.9	29.6	0.9	30.5	Petroleum fee /5
Nevada /1	23.0	0.805	23.805	27.0	0.75	27.75	23.0	0.805	23.805	Inspection & cleanup fee
New Hampshire	22.2	1.625	23.825	22.2	1.625	23.825	22.2	1.625	23.825	Oil discharge cleanup fee
New Jersey	10.5	30.9	41.4	13.5	35.0	48.5	10.5	30.9	41.4	Petroleum fee
New Mexico	17.0	1.875	18.875	21.0	1.875	22.875	17.0	1.875	18.875	Petroleum loading fee
New York	8.05	17.7	25.75	8.0	15.95	23.95	8.05	17.7	25.8	Petroleum Tax, Sales tax additional
North Carolina	36.2	0.25	36.45	36.2	0.25	36.45	36.2	0.25	36.45	/5 Inspection tax
North Dakota	23.0		23.0	23.0		23.0	23.0		23.0	
Ohio	28.0		28.0	28.0		28.0	28.0		28.0	
Oklahoma	19.0	1.0	20.0	19.0	1.0	20.0	19.0	1.0	20.0	Environmental fee
Oregon /1	34.0		34.0	34.0		34.0	34.0		34.0	
Pennsylvania	57.6		57.6	74.1		74.1	57.6		57.6	Oil franchise tax only /5
Rhode Island /9	33.0	1	34.0	33.0	1	34.0	33.0	1	34.0	LUST tax
South Carolina /9	20.0	0.75	20.75	20.0	0.75	20.75	20.0	0.75	20.75	Inspection fee & LUST tax
South Dakota /1	28.0	2	30.0	28.0	2	30.0	26.6	2	28.6	Inspection fee (gasohol E10)
Tennessee /1 /9	25.0	1.4	26.4	24.0	1.4	25.4	25.0	1.4	26.4	Petroleum Tax & Envir. Fee
Texas	20.0		20.0	20.0		20.0	20.0		20.0	
Utah	30.0		30.0	30.0		30.0	30.0		30.0	/4
Vermont /5	12.1	19.09	31.19	28.0	4.0	32.0	12.1	19.09	31.19	Cleanup Fee & Trans. Fee
Virginia /1	16.2		16.2	20.2		20.2	16.2		16.2	/6
Washington	49.4		49.4	49.4		49.4	49.4		49.4	0.5% privilege tax
West Virginia	20.5	15.2	35.7	20.5	15.2	35.7	20.5	15.2	35.7	Sales tax added to excise
Wisconsin	30.9	2.0	32.9	30.9	2.0	32.9	30.9	2.0	32.9	Petroleum Insp. Fee
Wyoming	23.0	1	24.0	23.0	1	24.0	23.0	1	24.0	License tax
Dist. of Columbia	23.5		23.5	23.5		23.5	23.5		23.5	
Federal	18.3	0.1	18.4	24.3	0.1	24.4	13.0	0.1	13.1	LUST tax

SOURCE: Compiled by FTA from various sources.

/1 Tax rates do not include local option taxes. In AL, 1 - 3 cents; HI, 8.8 to 18.0 cent; IL, 5 cents in Chicago and 6 cents in Cook county (gasoline only); NV, 4.0 to 9.0 cents; OR, 1 to 5 cents; SD and TN, one cent; and VA 2.1%.

/2 Local taxes for gasoline and gasohol vary from 0 cents to 6.0 cents. Includes Inspection Fee, SCETS, & Statewide Local Tax.

/3 Carriers pay an additional surcharge equal to 1L-13.4 cents, KY-2% (g) 4.7% (d).

/4 Tax rate is based on the average wholesale price and is adjusted annually. The actual rates are: KY, 9%; and UT, 16.5%.

/5 Portion of the rate is adjustable based on maintenance costs, sales volume, cost of fuel to state government, or inflation.

/6 Large trucks pay an additional (d) 3.5 cents (g) 12.6 cents. Actual rates (g) 5.1%, (d) 6%.

/7 California Gasoline subject to 2.25% sales tax. Diesel subject to a 9.25% sales tax.

/8 Diesel rate specified is the fuel use tax rate on large trucks. Small vehicles are subject to 18 cent tax rate.

/9 On July 1, 2019, RI fuel excise tax will increase to 34 cents, SC tax will increase to 22 cents, and the TN tax rates will increase to 26 cents (g) and 27 cents (d)