

HB

183

HOUSE COMMITTEE REPORT file

(11)

Date Referred: February 7, 1990

FURTHER REFERRALS:

Date of Committee Action: _____

The FINANCE Committee considered:

HB 183

HOUSE BILL NO. 183

MOTOR FUEL TAX EXEMPTIONS

"An Act relating to the exemptions from the motor fuel tax, and extending the exemption from the requirement of obtaining a certificate of use to fuel used to heat commercial premises; and providing for an effective date."

RECOMMENDATIONS:

- be replaced with (S HB 183 (FIN)) the same title
- have attached amendment(s) a new title
- do pass
- do not pass
- no recommendation
- individual recommendations
- additional referral to the _____ Committee

ADOPTS: _____ letter of intent

ATTACHES NEW FISCAL NOTE(s):
(Dept)

APPROVES PREVIOUS:

(Date/Dept)

- fiscal impact Department Revenue fiscal note(s) _____
- zero fiscal note _____ zero fiscal note(s) _____
- zero with analysis _____ zero fn/analysis _____

SIGNING DO PASS:

SIGNING:

(Check approp. column)

Do Not Pass No Rec Amend

Hoffman	Jay Brown	BROWN	X	
Larson	Jay Wallis	WALLIS	✓	
Koponen				
Ulmer				
Rieger				
Phillips				

Larson
Co-Chairman's Signature
 Hoffman

STATE OF ALASKA
1990 LEGISLATIVE SESSION

BILL VERSION: CS HB 183 (Finance)

PUBLISH DATE: _____

FISCAL NOTE

REQUEST: _____

Revision Date: _____
Title: Motor Fuel Tax and its
exemptions

Agency Affected: Revenue
BRU: Income & Excise Audit

Sponsor: Sharp
Requestor: Finance

Components: Operating

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 91	FY 92	FY 93	FY 94	FY 95	FY 96
OPERATING						
PERSONAL SERVICES	0	0	0	0	0	0
TRAVEL	25.0	25.0	25.0	25.0	25.0	25.0
CONTRACTUAL	0	0	0	0	0	0
SUPPLIES	0	0	0	0	0	0
EQUIPMENT	0	0	0	0	0	0
LANDS & STRUCTURES	0	0	0	0	0	0
GRANTS, CLAIMS	0	0	0	0	0	0
MISCELLANEOUS	0	0	0	0	0	0
TOTAL OPERATING	25.0	25.0	25.0	25.0	25.0	25.0
CAPITAL	0	0	0	0	0	0
REVENUE	0	0	0	0	0	0

FUNDING: (Thousands of Dollars)

GENERAL FUND	25.0	25.0	25.0	25.0	25.0	25.0
FEDERAL FUNDS	0	0	0	0	0	0
OTHER	0	0	0	0	0	0
TOTAL	25.0	25.0	25.0	25.0	25.0	25.0

POSITIONS:

FULL-TIME	0	0	0	0	0	0
PART-TIME	0	0	0	0	0	0
TEMPORARY	0	0	0	0	0	0

ANALYSIS: (Attach a separate page if necessary)

Prepared By: Steven E. Kettel
Division: Income and Excise Audit

Phone: (907) 465-2320

Date: March 29, 1990

Approved by Commissioner: Hugh Malone
Agency: Department of Revenue

Date: March 29, 1990

Distribution (by preparer):

- Legislative Finance
- Legislative Sponsor
- Requestor
- Office of Management and Budget
- Impacted Agency(ies)

Adopted

CS HB 183(Finance)
Analysis
March 29, 1990

Introduction

The Department supports this compromise legislation provided additional resources are granted to ensure that compliance with the motor fuel tax law is not diminished. The \$25,000 fiscal note is for increased field audit efforts on a regional basis to ensure strong compliance with the new law.

Problem

The problem this legislation addresses is the alleged burdensome requirements placed upon heating fuel dealers to obtain a signed statement from their heating fuel customers each year that the fuel is to be used for heating purposes only and not converted to a taxable use. This statement, a certificate of use form developed by the Department has been required by law and regulation since the early 80's.

Present Law

Under present law, if a dealer sells fuel "tax off" to a customer, the dealer must receive a signed certificate of use from the customers stating the intended tax exempt use. The certificates are to be obtained annually from the customer and kept on file by the dealer. The dealer cannot be held liable for the tax if the customer converts the untaxed fuel to a taxable use.

Amendments

Section 1, paragraph (a), states that if a dealer fails to obtain a certificate of use for fuel that is subsequently used in a taxable manner, the dealer must pay the tax and a failure to timely pay penalty, regardless of whether the dealer made a good faith effort (reasonable belief) to determine whether the fuel sold was to be used in a tax exempt manner.

Paragraphs (b) and (c) restates current law, except for referencing the new provisions in (d)

Paragraph (d) provides

- 1) a certificate of use is not required to be obtained by a dealer for sales of fuel to stationary power plants (new law), fuel that is 10% alcohol by volume (existing law) or other fuel determined by the department by regulation to be exempt (existing law);

- 2) that a certificate of use is not required for the sale of heating fuel to heat private or commercial buildings, but requires a certificate of use to be on file for heating fuel sold to businesses engaged in construction and mining activity (new law).

Original sponsor(s): REP. SHARP, Miller, Foster

1 IN THE HOUSE

BY THE FINANCE COMMITTEE

2 CS FOR HOUSE BILL NO. 183 (Finance)

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 SIXTEENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act relating to the motor fuel tax and its ex-
7 emptions; and providing for an effective date."

8 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

9 * Section 1. AS 43.40 is amended by adding a new section to read:

10 Sec. 43.40.015. EXEMPTION FROM COLLECTION OF TAX. (a) A dealer
11 who has a reasonable belief at the time of sale or transfer that fuel
12 that is sold or transferred is not to be used as motor fuel need not
13 collect the motor fuel tax. However, as to fuel for which the tax was
14 not collected and for which a certificate of use was not obtained, if
15 the department determines that the fuel was put to a use that is
16 taxable under this chapter, the dealer is liable for the tax and
17 subject to a civil penalty under AS 43.05.220(a) whether or not the
18 dealer's belief that the fuel sold or transferred would not be used as
19 motor fuel was reasonable.

20 (b) Except for sale or transfer of fuel under (d) of this sec-
21 tion, if the motor fuel tax is not collected, the dealer shall obtain
22 a certificate of use from the buyer or transferee at the time of the
23 first sale or transfer of the fuel stating that the fuel that has been
24 or will be purchased or received is not intended for use as motor
25 fuel. The form of the certificate of use shall be prescribed by the
26 department by regulation. The department may not collect the motor
27 fuel tax from a dealer for fuel for which a certificate of use has
28 been properly obtained under this subsection.

29 (c) A certificate of use must be renewed annually for exemptions

1 listed under AS 43.40.100(2).

2 (d) A certificate of use is not required

3 (1) for fuel exempted under AS 43.40.100(2)(C), (F), or
4 (K); and

5 (2) for fuel exempted under AS 43.40.100(2)(J) other than
6 fuel sold or transferred under this exemption to a person who is
7 engaged in construction or mining activity.

8 * Sec. 2. AS 43.40.035(a) is amended to read:

9 (a) A person who resells fuel on which the tax under AS 43.40.-
10 010(a) or (b) was previously paid is entitled to a credit or refund of
11 the tax if (1) the resold fuel is not motor fuel and the requirements
12 of AS 43.40.015 [AS 43.40.010(1)] have been fulfilled; or (2) the
13 amount of tax previously paid exceeds the tax due on the resale. The
14 amount of the credit or refund under this section is equal to the
15 amount of tax previously paid on the resold fuel less the amount of
16 tax prescribed by AS 43.40.010(a) or (b).

17 * Sec. 3. AS 43.40.010(1) is repealed.

18 * Sec. 4. This Act takes effect July 1, 1990.
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Alaska State Legislature

HOUSE OF REPRESENTATIVES

Official Business

P.O. Box V
State Capitol
Juneau, Alaska 99811

M E M O R A N D U M

TO: Representative Lyman Hoffman, Co-Chairman
Representative Ron Larson, Co-Chairman
House Finance Committee

FROM: Representative Bert Sharp *BMS*

DATE: February 13, 1990

SUBJ: HB183

I respectfully request a hearing before the House Finance Committee on HB183 at your earliest convenience.

HB183 is a motor fuels tax exemption bill which would eliminate the certificate of use requirement for fuel used to heat a commercial building. This bill was submitted last year but was put on hold pending regulations changes submitted by the Department of Revenue. This bill does not reduce the fuel dealers' ultimate liability for taxes due. There is a zero fiscal note attached to this bill. It was passed out of Transportation Committee on February 6, 1990, with four out of five members recommending "do pass."

To provide you with a little history: There is a motor fuel tax (AS 43.40). There is an exemption from the tax for fuel used to heat "private or commercial buildings or facilities" (AS 43.40.100(2)(J)). The fuel dealer may claim the tax exemption for

fuel required for heat in a private dwelling (AS 43.40.010(1)), but in order to claim the exemption for a commercial building, the dealer must obtain a certificate of use from each commercial user. (AS 43.40.010(1)). This causes administrative problems for the distributors inasmuch as many of the buildings they supply fuel to are obviously not used for motor fuels any more suspect than private dwellings (i.e. day care facilities, grocery stores, banks, rentals larger than duplexes, etc.).

In an effort to ease the situation, the Department of Revenue, on July 13, 1989, drafted new regulations that would allow the certificate of use obtained from commercial customers for heating purposes to be treated as an "annual" certificate of use in each year, whereby a new certificate of use would only need to be obtained in the event of a change of ownership or circumstances. However, there is a question of whether or not the proposed regulations conflict with current law. (See memo to Art Peterson, Assistant Attorney General attached).

The fuel distributors are again urging that HB183 be passed in order to alleviate these unneeded administrative burdens caused by current regulations. Their primary contention is that since they are the ones responsible for paying the tax, they should be the judge of whether or not to obtain a certificate of use based on individual site observation and other pertinent facts.

Attached for your convenience are copies of correspondence from fuel distributors endorsing this bill, and a bill analysis.

CSHB183 SECTIONAL ANALYSIS

Section 1. (a) Adds language that states the dealer is liable for the tax plus a civil penalty if a certificate of use is not obtained. This language was added to define "reasonable belief" by placing the tax liability on the dealer.

(b) States that except for exemptions listed in (d) of this Section, a certificate of use shall be obtained at the time of the first sale or transfer for fuels not intended for use as motor fuel that will be used for mining or construction activities. All other commercial uses listed pursuant to A.S. 43.40.100(2)(J) are exempt pursuant to (d) of this section.

(c) States that for all other exemptions listed in A.S. 43.40.100(2) (A), (B), (D), (E), (G), (H), (I), (L), a certificate of use must be renewed annually.

(d)(1) States that a certificate of use is not required for fuel exempted under:

1) A.S. 43.40.100(2)(C) - fuels used in stationary power plants operating as public utility plants and generating electrical energy for sale to the general public;

2) A.S. 43.40.100(2)(F) - fuel which is at least 10% alcohol by volume;

3) A.S. 43.40.100(2)(K) - fuel used for other nontaxable purposes as prescribed by regulations adopted by the department.

(d)(2) States that a certificate of use is not required for fuel exempted under A.S. 43.40.100(2)(J) - fuel used to heat private or commercial buildings or facilities, except that for fuel

sold or transferred to a mining or construction activity an annual certificate of use shall be obtained pursuant to (b) of this section.

Sections 2, 3, and 4. No changes were made from bill previously heard in this committee.

Representative Bert Sharp
Alaska State House of Representatives
Juneau, Alaska
February 5, 1990

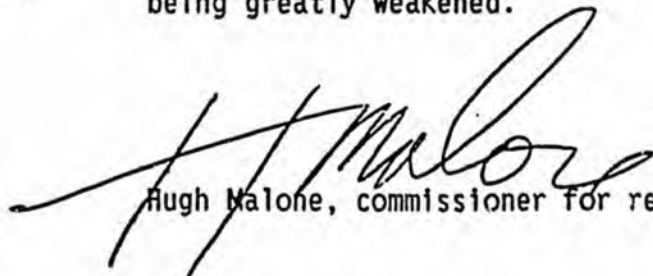
Dear Representative Sharp;

HB 183 would repeal the requirement that a motor fuel dealer obtain a certificate of use. This repeal would be effective in those cases where the dealer has a reasonable belief that the fuel will be used for non-taxable (exempt) uses.

I would urge you most strongly to delete that provision from the bill. If certificates of use are not obtained by the dealer, the state has essentially no way to determine whether the fuel was used for an exempt purpose. There would no longer be any "paper trail" that was certified to by the buyer of the fuel. As a practical matter, it would be impossible to audit or even determine the use of the fuel.

This would create a large "loophole" for dishonest fuel buyers to run through, and there would be no way to stop them. This would create powerful incentives for buyers who respect the law to follow suit, since they would be placed at a competitive disadvantage if they paid the tax and their competitors did not.

I strongly recommend that the certificate of use program be continued. I believe that repealing it will result in this revenue source being greatly weakened.



Hugh Malone, commissioner for revenue

cc Royce Weller
Steve Kettel
405q

Alaska State Legislature

REPRESENTATIVE
BERT SHARP

DISTRICT 20

COMMITTEE
RESOURCE

FINANCE SUBCOMMITTEE
DEPARTMENT OF NATURAL RESOURCES



FAIRBANKS
119 N CUSHMAN
FAIRBANKS, ALASKA 99701
(907) 452-7885/7886

WHILE IN JUNEAU
PO BOX V
STATE CAPITOL
JUNEAU, ALASKA 99811
(907) 465-3004/3018

House of Representatives

MEMORANDUM

TO: Arthur H. Peterson, Assistant Attorney General
FROM: Representative Bert Sharp *BMS*
DATE: February 9, 1990
SUBJ: Proposed regulation changes to 15 AAC 40.030

It is my understanding that the proposed regulation changes to 15 AAC 40.030, Certificate Requirements for Certain Sales, are awaiting regulatory review and approval by the Attorney General's Office. (A copy is attached for your convenience).

These changes were drafted after legislation was introduced in response to requests from fuel distributors to do away with the certificate of use requirement presently in statute (A.S. 43.40.015). There are a couple of areas of concern that I bring to your attention regarding to the proposed regulation changes.

First, the amendment as proposed in (c) is in direct conflict with current law. Alaska Statute 43.40.010(1) states that "an annual certificate of use is required..." and that the dealer "shall retain a copy of each certificate...". (Emphasis added). The proposed amendment states: (c)(1) "the certificate of use obtained upon the first sale need not be renewed annually...". (Emphasis added). I do not believe that a department can propose



REPRESENTING
GOLDEN HEART
OF ALASKA

Arthur H. Peterson
February 9, 1990
Page 2

regulations which are in conflict with specific sections of an existing law.

Secondly, many of the fuel dealers have expressed their concern with (c)(2) of the proposed regulation changes. They tell me that this change would place greater compliance burdens on fuel dealers than which they are currently subject. In some instances where fuel is delivered to bush communities, Section (2) would be virtually impossible to comply with, and would thus subject fuel dealers and consumers to needless penalties.

I request that these concerns be taken into consideration and, because of these concerns, believe HB183 provides the best solution for all concerned.

ORDER ADOPTING
REGULATIONS OF DEPARTMENT OF REVENUE

The attached 2 pages of regulations, dealing with Payment of Tax, are hereby adopted and certified to be correct copies of the regulations that the Department of Revenue adopts under authority vested by AS 43.05.080 and after compliance with the Administrative Procedure Act (AS 44.52), specifically including notice under AS 44.52.190 and 44.52.200 and opportunity for public comment under AS 44.52.210.

This action is not expected to require an increased appropriation.

This order takes effect on the 30th day after it has been filed by the lieutenant governor, as provided in AS 44.62.180.

DATE: Nov. 28, 1989
Juneau, Alaska



Hugh Malone, Commissioner

FILING CERTIFICATION

I, Stephen McAlpine, Lieutenant Governor for the State of Alaska, certify that on _____, 19__, at _____ .m., I filed the attached regulations according to the provisions of AS 44.62.040 -- 44.62.120.

Lieutenant Governor

Effective _____
Register _____

15 AAC 40.030 is amended as follows:

15 AAC 40.030. Certificate Requirements for Certain Sales. (a) Except as provided by (b) or (c) of this section, a dealer or fuel reseller who sells or transfers fuel that is exempt under 15 AAC 40.020(c) shall obtain an annual certificate of use from the buyer or transferee at the time of the first sale in each calendar year stating that the fuel that is purchased or received is not intended for use as motor fuel subject to tax under AS 43.40.010. A dealer or fuel reseller shall use a certificate-of-use form prescribed by the department.

(b) A certificate of use under (a) of this section is not required in support of an exemption under 15 AAC 40.020(b)(4), (6), (13), (15), and (16).

(c) In support of an exemption under 15 AAC 40.020(c)(5)

(1) the certificate of use obtained upon the first sale need not be renewed annually unless the location of each tank or other facility which stores heating fuel is changed;

(2) The certificate of use must itemize and show the location of each tank or other facility which stores fuel exclusively for heating commercial buildings and facilities;

(3) The certificate of use must be reviewed if the intended use of any fuel stored in the tanks or facility is changed to another exempt use under 15 AAC 40.020(c). (Eff. / / , Register)

Authority: AS 43.05.080
AS 43.40.100

15 AAC 05.310 is amended as follows:

(e)(4) a payment made by wire transfer is timely if the taxpayer's commercial bank initiates the transfer of funds through the Federal wire-transfer system or the date the payment is due; (Eff. / / , Register)

15 AAC 05.310 is amended to add a new subsection:

(h) Then the last day for performing any act under any provision of AS 43 falls on Saturday, Sunday, or a legal holiday, the performance of such act shall be considered timely if it is performed on the next succeeding day which is not a Saturday, Sunday, or a legal holiday. "Legal Holiday" means a legal in the District of Columbia or a legal holiday in this state. (Eff. / / , Register)

Authority: AS 43.05.080

PETRO STAR INC.

Telephone (907) 488 0730
Teletype (907) 400-8057
TELEX 36-6110

P.O. Box 51230
North Pole, Alaska 99705
Walt Schlotfeldt
President

March 6, 1989

Mr. Royce B. Weller
Special Assistant Commissioner
Department of Revenue
Box 9
Juneau, Alaska 99811

Dear Mr. Weller:

I am writing in regard to the certificates of use requirement for heating fuel for commercial facilities. Collection of a motor fuel tax on diesel fuel is the responsibility of the dealer, for he is the only one who can determine what the use of the fuel will be. No matter what auditing procedures are used, this will be the case. The person making the delivery, in almost every case, knows by sight what the fuel will be used for, therefore, if the dealer feels that the use of the fuel will be as prescribed by the motor fuel tax laws and that the tax should be collected, he will charge for the tax. If he does not charge the tax, he will surely get a certificate of use to protect himself from the liability of potentially paying the tax at a future time.

Since heating fuel is exempt from the tax, it should also be exempted from the requirements of the certificates of use. Certificates of use should only be used in those cases where the purchaser of the fuel could potentially use the fuel as a motor fuel. This, then, would protect the dealer and place the burden of future tax liability on the purchaser. To require the dealer to obtain a certificate of use from all heating fuel users is overkill, and is causing the dealers to incur additional administrative expense both in ensuring that all certificates are received from their customers and in corresponding with the customers about their certificates. Certificates of use are also not very popular with our customers, who already feel the burden of paperwork reporting requirements within their own businesses.

Mr. Royce B. Weller
March 6, 1989
Page 2

If certificates of use were not required on commercial facilities, but only in the case where the dealer suspected use as diesel fuel, then the auditor would have a clear list of those individuals who may have used the fuel for taxable purposes and not paid the tax. As it is, auditors must review all sales to determine if there are those customers who perhaps should have paid the tax, and generally, for those who the dealer suspects are using the fuel for taxable reasons, we hold a certificate of use on file. Therefore, the certificates of use should only be required for those commercial customers who the dealer suspects are using the fuel for taxable purposes. This would ease the burden of the auditor in tracking sales in which the tax is uncollected. In order to ensure that the dealer is truly receiving certificates in those cases where he suspects the fuel is used for taxable reasons, the auditor could review the invoices, which generally have a high degree of description as to the customer's name, delivery location and tank size and other information including the customer's name. I have enclosed some copies of our delivery invoices for your perusal so that you can see what I mean. This is specifically what the auditors currently do to determine if the dealer has collected the tax or certificates of use from the appropriate customers.

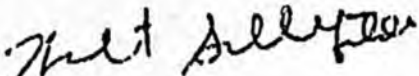
I think it is in the Department of Revenue's best interests to have dealers receive certificates of use only for those sales made which the dealer, who, again, is the only person who truly sees the use of the fuel, suspects is taxable.

We are not asking that our monthly reports of volume sold, taxable and untaxable under the various categories, be discontinued. These reports are, I believe, the basis for your reporting to the Federal Government. I believe that SB-180 and HB-183 would relieve us of the burden of collecting certificates of use for those sales which are obviously untaxable, yet would preserve the use of the certificates for those sales which we feel could potentially be taxable. If the same elimination of the requirement to obtain certificates of use can be accomplished through your regulations, that would be satisfactory to me, and would meet the needs which we have identified.

Mr. Royce B. Weller
March 6, 1989
Page 3

If I can provide any further information or answer any questions, please call me. In the event I am unavailable, you may wish to contact Bob Meath, Sourdough Fuel (456-7798), should you have any questions. I look forward to hearing from you.

Sincerely,



Walt Schlotfeldt
President

Enclosures

WPS:pm
W.90227-3



P.O. BOX 1947, SITKA, ALASKA 99835
PHONE (907) 747-8460

RECEIVED
FEB 6 1990
SITKA

February 5, 1990

Representative Bert Sharp
P.O. Box V
Juneau, Ak.

RE: HB-183, SB-180

Dear Representative Sharp:

As a fuel dealer, we support your effort to exempt fuel dealers from obtaining a certificate of use for fuel sold to heat commercial buildings.

Heating fuel sales are exempt from fuel tax by statute, yet the regulation appears to require that exempt certificates, which are intended to exempt certain sales of taxable fuels, be obtained annually and maintained in seller's files. This requirement creates a tremendous administrative burden on fuel dealers. We should only be required to obtain a certificate of use if we have a doubt about what the customer will use the fuel for.

HB-183 and SB-180 will eliminate a large portion of the cost of the certificate of use program with no reduction in fuel tax collection.

We appreciate your consideration in this matter.

Sincerely,

A handwritten signature in cursive script that reads "Don Brown".

Don Brown
President

P.C. Jack Coghill
Dick Eliason



MAPCO ALASKA PETROLEUM INC.

A. L. Buki Wright, Jr.
VICE PRESIDENT -- ALASKA
(907) 452-5318

January 22, 1990

Representative Bert Sharp
P.O. Box V
Juneau, AK 99811

Dear Representative Sharp:

I fully support HB 183, exempting fuel dealers from obtaining a certificate of use for fuel oil sold to heat commercial facilities. Under HB 183, dealers would be relieved of the burden of collecting numerous certificates of use for sales which are obviously nontaxable. However, the use of certificates, for sales they feel are potentially taxable, would be preserved.

At the present time, fuel dealers are not required to charge the motor fuel tax for fuel sold to heat commercial or private facilities. A certificate of use must be obtained, however, for fuel sold to heat commercial buildings. That certificate is signed by the customer certifying that he is using the fuel for a tax exempt purpose.

Under AS 43.40.010(1), motor fuel tax does not have to be collected if a dealer believes at the time of the sale that the fuel will not be used for a taxable purpose. A dealer will usually know, by sight, how the purchaser will use the fuel.

Heating fuel is exempt from motor fuel tax and should also be exempt from the requirements of the certificate of use. If a dealer has doubts about the use of the fuel, he will obtain a certificate of use for protection against the liability of paying tax at a later date.

Sincerely,

A.L. Buki Wright, Jr.

Sourdough Fuel

"Your warm friends since '98"

Jan 22 1990
RECEIVED

January 18, 1990

Representative Bert Sharp
P.O. Box V
Juneau, AK 99811

Dear Representative Sharp:

Bert

It has come to my attention that you have introduced House Bill 183 which would exempt fuel dealers from obtaining a certificate of use for fuel sold to heat commercial buildings. Sourdough Fuel supports this legislation.

Sourdough Fuel is one of the largest heating fuel dealers in the Interior. We deliver heating fuel to many customers who have commercial facilities, i.e. apartment buildings, office buildings. Although a majority of our commercial customers use fuel to heat their buildings, we must have them sign a certificate of use to certify they are using the fuel we sold them for heating purposes which is exempt from the motor fuel tax law.

We are currently required to obtain a certificate of use for all fuel sold to heat commercial facilities. This requirement creates a tremendous administrative burden on fuel dealers. When we sell fuel, we will know by sight what the fuel is being used for and if a tax should be charged. We should only be required to obtain a certificate of use if we have a doubt about what the customer is using the fuel for.

By eliminating the certificate of use requirement for fuel sold to heat commercial facilities, you would be creating a better audit trail for the Department of Revenue when they conduct our yearly audits. When the auditor is reviewing our non-taxable fuel sales, he or she could use the certificates of use, collected because of the dealers doubt of customers use, as a means of knowing which customers to contact to verify their use of the fuel. Right now, the auditor would have to go through our entire list of commercial customers who received non-taxable fuel versus just a list of those the dealers believe could be using the fuel for a taxable purpose.

Fuel dealers will obtain a certificate of use or either charge the motor fuel tax to avoid being liable for the tax at a future date. Let us be the judge of when and when not to obtain a certificate of use.

Sincerely,

Robert F. Meath

Robert Meath
President

Express FUELS

• A DIVISION OF MAPCO ALASKA PETROLEUM

JAN 25 1990

RECEIVED

January 22, 1990

Representative Bert Sharp
PO Box V, Room 606 CT
Juneau, Alaska 99811

Dear Representative Sharp:

We would like to take this opportunity to express our support for HB183 exempting fuel oil dealers from obtaining a Certificate of Use for fuel oil sold to heat commercial facilities.

As it stands now, motor fuel tax need not be collected if a dealer has reasonable belief that at the time of the sale the fuel is not to be used for taxable purposes. Since heating fuel is exempt from the motor fuel tax, it should also be exempt from the requirements of the Certificate of Use.

HB183 would relieve fuel oil dealers of the burden of collecting Certificates of Use for those sales which are obviously untaxable.

We hope you will support this piece of legislation.

Sincerely,

Charlie Croan
Charlie Croan
Operations Manager

CC/abh



Nenana Heating Services, Inc.

Jobber, Chevron U.S.A. Inc. Products
Box 00315, Nenana, AK 99760 • Phone: 907-832-5445

REP. SHARP
JAN 22 1990
RECEIVED

January 19, 1990

Representative Bert Sharp
P.O. Box V
Juneau, AK 99811

Dear Representative Sharp:

I would like to say that we at Nenana Heating Services, Inc. fully support HB 183. This bill exempts fuel dealers from obtaining a certificate of use from commercial heat customers.

At this time the dealer must obtain a certificate of use for fuel sold to heat a commercial building. AS 43.40.010 (1) states that motor fuel tax need not be collected if a dealer has reasonable belief that at the time of the sale the fuel is not to be used for a taxable purpose.

Since heating fuel is exempt from the motor fuel tax, it should be exempt from the requirements of the certificate of use. Dealers should only be required to obtain a certificate of use if they have a doubt about the customers use of the fuel.

HB 183 would relieve the dealers of the burden of collecting certificates of use for those sales which are obviously untaxable, yet would preserve the use of the certificates for those sales which we feel could be potentially taxable.

Sincerely,

David Shaw
Vice President



NENANA FUEL CO.

P.O. Box 268
Nenana, Alaska 99760
Dial 832-5476

January 22, 1990

Representative Bert Sharp
PO Box: V, Room 606 CT
Junuea, Alaska 99811

Dear Representative Sharp:

We would like to let you know of our support for HB #183, concerning Certificates of Use for heating oil sold to heat commercial facilities.

As you already know, motor fuel tax is not collected on heating oil if it is not to be used for taxable purposes. This is based upon the dealers belief of what the fuel will be used for. In almost every case, a dealer will know by sight what the purchaser will use the fuel for.

Therefore, we believe that fuel oil dealers should only be required to obtain a Certificate of Use if there is a doubt as to what the fuel will be used for.

HB #183 would relieve the dealers of the burden of collecting Certificates of Use for those sales which are obviously untaxable, yet would preserve the use of the Certificates for those sales which we feel could be potentially taxable.

We hope you will support this piece of legislation.

Sincerely,

A handwritten signature in cursive script that reads "Dean Ojala".

Dean Ojala
Terminal Manager

DO/abh

MAIL ROOM
JAN 25 1990
11:00 AM



SAUPE ENTERPRISES, INC.
P.O. BOX 70510
FAIRBANKS, AK 99707

REP. SHARP
JAN 22 1990
RECEIVED

January 18, 1990

Representative Bert Sharp
House of Representatives
P.O. Box V
Juneau, AK 99811

RE: HB-183

Dear Representative Bert:

I urge and appreciate your continuing efforts to provide some relief to fuel marketers throughout the State who have been buried in paper as a result of the heating-fuel certification requirements.

As you know, heating-fuel sales are exempt from fuel tax by statute, yet the regulations paradoxically appear to require that exemption certificates (which are intended to exempt certain sales of taxable fuels) be obtained annually and maintained in the marketers' files. You can only imagine the time, man-power, and records burden this places on businesses like ours.

Passage of HB-183 would remove the onerous burden of unnecessary paperwork only in those cases where the seller is reasonably certain he won't face future tax liabilities; in other words, if we're not sure the fuel will be used for heating we will still have the responsibility (and the motivation) to obtain the necessary certification. HB-183 will eliminate a large portion of the certification costs, with no reduction in the collectability of taxes (or certificates) where appropriate.

We appreciate your consideration in this regard, Bert, and invite you to contact me if you have any questions. Thank you for your time!

Sincerely,

B.H. Saupe'

**ALASKA
OIL
MARKETERS
ASSOCIATION**

P.O. Box 764
Fairbanks, Alaska 99707

March 6, 1989

Representative Bert Sharp
Pouch V
Juneau, AK 99801

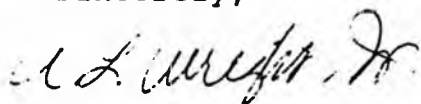
Dear Representative Sharp:

We, the members of the Alaska Oil Marketers Association (AOMA) wish to extend our support in favor of the enactment of Senate Bill #180 and House Bill #183 relating to the exemptions from the motor fuel tax and extending the exemption from the requirement of obtaining a certificate of use, as introduced by yourself and Representative Miller.

We feel that the new language in this bill, extending the exemptions from obtaining a Certificate of Use, is a positive step for the State, fuel dealers, and Alaskan consumers in that unnecessary paperwork will be eliminated.

We look forward to the bills' passage by the Legislature of the State of Alaska.

Sincerely,



A.L. Wright, Jr.
Secretary

ALW:mlk



ALASKA PETROLEUM

1948 Persinger Dr.
North Pole, AK 99705 - 5029

488-2575

RECEIVED
JAN 30 1990

January 25, 1990

Representative Bert Sharp
P.O. Box V
Juneau, Alaska 99811

Dear Representative Sharp:

I am writing you to express my support of HB 183 which exempts fuel dealers from obtaining a certificate of use for fuel oil sold for heating purposes to commercial facilities.

It is my feeling that Dealers should be required to obtain certificates of use only if there is a doubt about the customers use. This would result in a reduction in audit time and paperwork and relieve the Dealers of the burden of collecting certificates for obvious heating uses.

Thank you for your consideration.

Sincerely,

Roy Gus Johnson
Owner

RGJ:lp



Saupe Enterprises, Inc.
Jobber, Chevron U.S.A. Inc. Products
P.O. Box 510, Fairbanks, AK 99707 • Phone: 452-1238

RECEIVED

JUL 31 1989

DEPARTMENT OF REVENUE
STATE OF ALASKA, JUNEAU

Alaska Dept. of Revenue
Income & Excise Audit Div'n.
P.O. Box 5A
Juneau, Ak. 99811

July 29, 1989

Re: 15-AAC-40.030
(Your letter 7-13-89)

Sirs:

Thank you for the opportunity to respond to your notice of proposed change to eliminate the annual re-certification on heating fuels.

While your proposed change is better than the present rules, it doesn't go far enough. We believe there should be no required certification on heating fuels, except at the Seller's option. In more than 95% of the deliveries, it is obvious the customer and the storage are involved only in on-site heating use, and certification is both onerous and unnecessary. We should have the right and the ability, however, to demand certification in those few cases that we are not sure of the end-use, to protect ourselves.

Please revise your change to eliminate the requirement for certification, while still allowing for certification when necessary.

Thanks for soliciting our input!

Sincerely,

B.H. Saupé

PETRO STAR INC.

Telephone (907) 488-0730
Telecopier (907) 488-9057
TELEX 36-686

PO Box 55239
North Pole, Alaska 99705

January 16, 1990

Representative Bert Sharp
P.O. Box V
Juneau, AK 99811

REP. SHARP
JAN 24 1990
RECEIVED

Dear Representative Sharp:

I would like to take this opportunity to comment on HB 183 exempting fuel dealers from obtaining a certificate of use for fuel oil sold to heat commercial facilities. I fully support this piece of legislation.

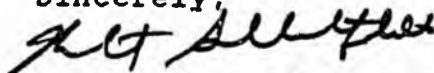
Currently, fuel dealers do not have to charge the motor fuel tax for fuel sold to heat private or commercial facilities. However, the dealer must obtain a certificate of use for fuel sold to heat commercial buildings. The certificate of use is signed by the customer and certifies that the customer is using the fuel for a tax exempt purpose.

AS 43.40.010(1) states that motor fuel tax need not be collected if a dealer has reasonable belief that at the time of the sale the fuel is not to be used for a taxable purpose. In almost every case, a dealer will know by sight what the purchaser will use the fuel for. If the dealer has a doubt about what the fuel will be used for, they will obtain a certificate of use for protection against the liability of paying the tax at a future time.

Since heating fuel is exempt from the motor fuel tax, it should be exempt from the requirements of the certificate of use. Dealers should only be required to obtain a certificate of use if they have a doubt about the customers use of the fuel, and then the auditor would have a clear list of those customers who may have used fuel for a taxable purpose but did not pay the tax.

HB 183 would relieve the dealers of the burden of collecting certificates of use for those sales which are obviously untaxable, yet would preserve the use of the certificates for those sales which we feel could be potentially taxable.

Sincerely,



Walt Schlotfeldt
President

Telephone (907) 488-0730
Telecopier (907) 488-9057
TELEX 36-886

P.O. Box 56239
North Pole, Alaska 99705
Walt Schlotfeldt
President

July 27, 1989

Department of Revenue
Income and Excise Audit Division
P.O. Box SA
Juneau, AK 99811

Gentlemen:

I would like to take this opportunity to respond to the proposed amendment to 15 AAC 40.030 relating to certificate of use requirements for motor fuel tax exemptions. Although the proposed regulation change is more acceptable than the current regulations, I still oppose regulations requiring certificates of use for fuel used to heat buildings or facilities.

AS 43.40.010(1) states that motor fuel tax need not be collected if a dealer has reasonable belief that at the time of the sale the fuel is not to be used as motor fuel. In almost every case, a dealer will know by sight what the fuel will be used for. If the dealer has a doubt about what the purchaser will use the fuel for, he will either charge a tax or obtain a certificate of use to protect himself from the liability of potentially paying the tax at a future time.

The definition of motor fuel tax under AS 43.40.100(2) excludes fuel used to heat private or commercial buildings or facilities. Fuel used exclusively for a domestic purpose in single or multiple unit private dwellings including mobile homes, but not including watercraft, is exempt from the certificate of use requirement in 15 AAC 40.030(b), however, the dealer must obtain a certificate of use for fuel sold to heat commercial buildings or facilities. This certificate of use requirement creates an abundance of paperwork for the dealer which in turn causes us to incur additional administrative expenses.

PETRO STAR INC.

Telephone (907) 488-0730
Teletypewriter (907) 488-9057
TELEX 36-686

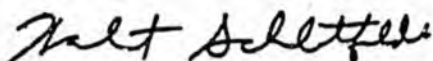
P.O. Box 56239
North Pole, Alaska 99705

Department of Revenue
Page 2
July 27, 1989

Although your proposed regulations would not require the dealer to obtain an annual certificate of use unless the tank location is changed or if the intended use of the fuel is changed, I still believe that fuel sold to heat commercial buildings or facilities should be exempt from the requirement and that certificates of use should only be necessary for the commercial customers who the dealer suspects are using the fuel for a taxable purpose.

I would encourage you to eliminate any requirements of certificate of use for fuel sold to heat commercial buildings or facilities.

Sincerely,



Walt Schlotfeldt
President

PETRO STAR INC.

Telephone (907) 488-0730
Telecopier (907) 488-9057
TELEX 36-686

P.O. Box 56239
North Pole, Alaska 99705
Walt Schlotfeldt
President

January 23, 1990

Mr. Bert M. Sharp
Alaska State Legislature
P.O. Box V (MS3100)
Juneau, Alaska 99811

Dear Representative Sharp:

I neglected to tell you that, in addition to obtaining certificates of use for commercial heating fuel, we must report the names of our commercial heating fuel accounts once a year. I do not like having to do this for proprietary reasons, as well as the waste of time of our staff.

I hope this continues to help identify the problems.

Sincerely,

Walt
Walt Schlotfeldt

WPS:pm
W.00123-1

JANUARY 1990

TO ALL QUALIFIED DEALERS:

JUST A REMINDER - PLEASE INCLUDE A LIST OF ALL YOUR COMMERCIAL HEATING FUEL ACCOUNTS WITH YOUR MOTOR FUEL TAX RETURN FOR THE MONTH OF DECEMBER 1989. THANK YOU.

THE FOLLOWING QUALIFIED DEALERS HAVE BEEN REVOKED OR HAVE GONE OUT OF BUSINESS:

COLLINS OIL COMPANY
GALENA CONSTRUCTION COMPANY
NQI PETROLEUM
NORTH STAR FUEL AND PROPANE
PUGET SOUND TUG AND BARGE
Q TRUCKING COMPANY INC.
SOUND OIL COMPANY
TANANA PETROLEUM COMPANY
W.C.A. FUEL

THE FOLLOWING QUALIFIED DEALERS ARE NEW ADDITIONS TO THE LIST:

ALASKA AIRCRAFT LEASING
EGEGIK FUEL COMPANY
ELF TRADING
HARCROS CHEMICALS
KIZHUYAK OIL SALES INC.
NORTHERN PACIFIC TRANSPORT
OUR STORE INC.
PETRO LUB SERVICES
TOTEM OIL PRODUCTS

QUALIFIED DEALER LICENSES

<u>License Number</u>	<u>Company Name</u>	January 1990
89-205	Alaska Aircraft Leasing Inc.	
83-022	Alaska Aerofuel Inc.	
85-113	Alaska Fuel Products	
83-012	Alaska Fuel Services	
85-092	Alaska Mechanical Fuel Service	
83-002	Alaska Oil Sales, Inc.	
85-116	Alaska Petroleum	
84-071	Alaska West Express Inc.	
82-002	Anderes Oil Company	
85-112	ANICA, Inc.	
85-123	ARCO Alaska, Inc.	
89-201	Astra Oil Company Inc.	
83-068	Aurora North Fuel Sales	
87-165	Badger Fuel, Inc.	
86-140	Bethel Fuel Sales, Inc.	
84-085	Big State Logistics	
88-178	B.P. Exploration (Alaska) Inc.	
88-172	B.P. North America Petroleum	
89-192	Board of Trade dba Alaska Cab Garage	
89-188	Bristol Bay Contractors	
88-175	Bristol Bay Supply	
84-083	Campbell & Sons	
85-118	CEM Leasing, Inc.	
82-010	Chevron USA	
89-194	City of Aniak	
87-161	Clarendon Marketing, Inc.	
82-005	Columbus Distributors Co.	
89-191	Colville Environmental Services Inc.	
85-131	Dartts Fuel Service	
83-024	Delta Fuel, Inc.	
85-102	Delta Western (Western Pioneer, Inc.)	
82-003	Denali Fuel Company Inc.	
83-052	Douglas Oil Heat	
83-013	Doyles Fuel Service	
89-206	Egegik Fuel Company	
89-202	Elf Trading Inc.	
88-177	Eskimos Inc.	
83-053	Everts Air Fuel	
88-170	Express Fuels	
82-009	Exxon Corporation	
84-088	Fagerstrom Enterprises Inc.	
82-012	Fisher's Fuel Inc.	
88-175	H & H Contractors Inc.	
88-169	Halda Oil Products	
89-207	Harcros Chemicals Inc.	

NumberCompany Name

86-139	Haines Terminal and Highway Company
83-011	Harbor Enterprises Inc.
83-036	Harbor Fuel Company
85-089	Hawaiian Independent Refinery, Inc.
83-051	Hoffman Fuel Service
87-158	Hoonah Seafoods (Excursion Inlet Packing Co.)
85-094	Hoover's Movers
83-023	Ike's Fuel
87-164	Interior Fuels Company
83-026	Ireland Transfer & Storage Co.
86-151	Irish Trucking
85-105	Island Fuel, Inc.
87-166	Johnny's Fuel (Rodike, Inc.)
83-048	Johnson Fuel Service
85-093	Kenai Airport Fuels, Inc.
89-209	Kizhuyak Oil Sales Inc.
82-015	Kodiak Oil Sales
86-137	Koyukuk Inc.
85-095	Kuparuk Fuel Sales Ltd.
89-197	Kwik Inc.
88-183	MG Refining & Marketing Inc.
83-017	Mapco Petroleum Inc.
83-015	Marathon Fuel Service
85-135	Max-Weld Co., Inc.
85-130	Metallgesellschaft Corporation
82-016	Mobil Oil Corp.
85-056	Moody's Oil Service
85-111	Moody's Sealightage, Inc.
84-079	Nenana Standard Heating Services
85-121	Nome Native Community Ents.
89-189	Nondalton Native Fuel Service
83-025	Northern Air Cargo, Inc.
83-039	Northern Energy Corporation
89-203	Northern Pacific Transport Inc.
83-058	Northway Fuel
87-160	Novaks Fuel Distributors
88-179	Nunakauiak Yupik Corporation
86-142	Orca Oil Co., Inc.
89-210	Our Store Inc.
86-146	Pacific Alaska Fuel Services, Inc.
84-081	Pacific Fuel Trading Co.
89-204	Petro Lube Services
85-090	Petro Marine Services
89-198	Petro Marine Services - Ballyhoo
89-199	Petro Marine Services - Barge
89-200	Petro Marine Services - Nikiski
82-004	Petro Products, Inc.
83-021	Petro Star Fuel
85-134	Petro Star, Inc.

NumberCompany Name

86-147	Petrolane Gas Service, Inc.
86-145	PRI International, Inc.
89-196	Radiant Heating Fuel Service
83-041	Reeve Aleutian Airways
83-045	Reliable Transfer
85-110	Royal Fuel Company
84-086	Saicha Services
83-067	Saupe Enterprises, Inc.
89-193	Saurian Fuel Service Inc.
88-174	Seldovia Fuel Company
88-180	Seppala Enterprises
83-005	Service Oil & Gas, Inc.
83-047	Service Transfer
83-016	Shell Oil Company
89-190	Shoreside Petroleum (Harbor Fuel Svc.)
83-034	Sitka Fuels, Inc.
83-010	Sitka Sound Oil
82-013	Skagway Fuels
84-080	Smith Lighterage Co.
83-006	Snyder Mercantile Company
83-020	Sourdough Fuel
85-128	St. Michael Fuel Company
83-064	Star Heating Fuels
89-208	Star Products
86-155	Stratolift Inc.
83-007	Suburban Propane (Vangas Inc.)
88-172	Sunshine Oil
83-001	Taku Oil Sales, Inc.
88-168	Teller Commercial Company
85-101	Terminal Oil Sales, Inc.
82-001	Tesoro Alaska Petroleum Company
83-038	Tesoro Refining, Marketing & Supply
85-115	Texaco Refining & Marketing, Inc.
83-033	Thompson Transfer Inc.
87-163	Totem Oil Products Supply, Inc.
85-117	Tucker Heating Fuel
83-043	Transworld Oil U.S.A. Inc.
88-186	Trident Seafoods Corporation
83-032	Twister Creek Union 76
82-008	Union Oil Company of California
83-065	Valley Oil Company
89-195	Western Petroleum Company
82-007	Whittier Service Inc.
83-063	Willner's Fuel
83-049	Woods Air Fuel
83-009	Wrangell Oil Heat Inc.
88-187	Yukon Fuel Inc.

STATE OF ALASKA
1990 LEGISLATIVE SESSION

No. 1

BILL VERSION: HB 183

PUBLISH DATE: HOUSE 2/7/90

FISCAL NOTE

REQUEST:

Revision Date: February 2, 1990
Title: An act relating to the exemptions from the motor fuel tax
Sponsor: Sharp and Miller
Requestor: Transportation and Finance

Agency Affected: Revenue
BRU: Income & Excise Audit
Components: Operating

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 91	FY 92	FY 93	FY 94	FY 95	FY 96
OPERATING						
PERSONAL SERVICES	0	0	0	0	0	0
TRAVEL	0	0	0	0	0	0
CONTRACTUAL	0	0	0	0	0	0
SUPPLIES	0	0	0	0	0	0
EQUIPMENT	0	0	0	0	0	0
LANDS & STRUCTURES	0	0	0	0	0	0
GRANTS, CLAIMS	0	0	0	0	0	0
MISCELLANEOUS	0	0	0	0	0	0
TOTAL OPERATING	0	0	0	0	0	0
CAPITAL	0	0	0	0	0	0
REVENUE	88-440.0	88-440.0	88-440.0	88-440.0	88-440.0	88-440.0

FUNDING: (Thousands of Dollars)

GENERAL FUND	0	0	0	0	0	0
FEDERAL FUNDS	0	0	0	0	0	0
OTHER	0	0	0	0	0	0
TOTAL	0	0	0	0	0	0

POSITIONS:

FULL-TIME	0	0	0	0	0	0
PART-TIME	0	0	0	0	0	0
TEMPORARY	0	0	0	0	0	0

ANALYSIS: See attached.

Prepared By: Steven E. Kettel *Steven E. Kettel* Phone: (907) 465-2320
Division: Income and Excise Audit Date: February 2, 1990

Approved by Commissioner: Hugh Malone *Hugh Malone* Date: February 2, 1990
Agency: Department of Revenue

Distribution (by preparer):
Legislative Finance
Legislative Sponsor
Requestor
Office of Management and Budget
Impacted Agency(ies)

HB 183
February 2, 1990
Prepared by Income
and Excise Audit Division
Department of Revenue

Analysis

Section 1 of the bill amends AS 43.40 by adding a new section to generally provide that a dealer is not required to collect the motor fuel tax if a certificate of use is obtained from the buyer representing that the fuel is not for use as motor fuel. The certificate of use prohibits the department from trying to collect from the dealer in the event the fuel was taxable motor fuel. Paragraphs (a) and (b) are identical to AS 43.40.010(1) which is repealed in Section 3 of the bill.

Paragraph (c) provides that certificates of use need not be obtained in certain instances. A certificate of use need not be obtained by a dealer for fuel which is at least 10% alcohol, for fuel used to heat private or commercial buildings or facilities, and for fuel used for nontaxable purposes as determined by the department in regulations. A dealer only needs a reasonable belief that the fuel is not to be used as motor fuel in order to sell the motor fuel without collecting the tax. Reasonable belief is not defined.

The amendment essentially follows current law with one major exception. Current law provides that a certificate of use is not required for fuel for any domestic purpose in a single or multiple unit private dwelling or for fuel which is at least 10% alcohol. Therefore, the amendment extends the exemption from obtaining the certificate of use to all fuel for heating purposes.

Section 2 amends AS 43.40.035(a). This provision gives a credit or refund to a person who resells fuel previously taxed that is not motor fuel. The amendment will allow a dealer to obtain a refund of any taxes paid on fuel for which he has obtained a certificate of use or possesses a reasonable belief that the fuel is not be used as motor fuel.

Section 4 provides for a July 1, 1989 effective date which needs to be updated.

Comment

Prior to 1982, dealers were not required to collect motor fuel tax if they had a reasonable belief the fuel was to be used in a tax-free manner. Several dealers failed to collect tax in situations which the department and eventually the court held the dealer did not exercise reasonable care in determining whether tax should be collected. These decisions left dealers unprotected against customers that told a dealer they qualified to purchase fuel tax off yet used the fuel for a taxable purpose. To protect dealers, the certificate of use provisions were added to statutes in 1982. Dealers were no longer required to use their

HB 183
February 2, 1990
Prepared by Income
and Excise Audit Division
Department of Revenue

independent judgment to determine a sales taxability. By obtaining a certificate of use from their customer, the dealer effectively transferred responsibility for collection of the tax to the customer. This provision also assisted the Department in increasing compliance with the motor fuel tax law. Customers were not as willing to sign a statement under perjury that the fuel was to be used in a tax-exempt manner as they were in orally communicating it to the dealer.

In recent days heating fuel distributors in the interior have become reluctant to obtain certificates of use from their commercial heating fuel customers. It at times is an arduous task and in their minds a lot of unnecessary paperwork. The Department addressed the situation in 1989 with regulations which eased the certificate of use reporting burden. Under new rules, dealers were only required to obtain a certificate with the first purchase of heating fuel made by a customer. So long as that customer's operation did not change, i.e., the fuel continued to be used for heating purposes, additional certificates of use are not required to be obtained. The department believes the regulations have adequately responded to the dealers needs and that the bill will take us back to the problems we faced prior to 1982.

Fiscal Impact

Statewide, approximately 110 million gallons of tax exempt heating fuel are sold annually. It is unknown how much of this fuel may actually be converted to taxable use without the state receiving the revenues. We anticipate that between 0-5% of heating fuel may be converted to taxable use if the bill passes. Assuming that the majority of it is consumed in diesel engines on highway, the potential tax loss would be \$88,000 per 1% leakage.