

Testimony before the House Transportation Committee
Presented by Gerald Dannel, Vice President of Operations, Liberty Petroleum Distributors
June 13, 2013

Good Morning Mr. Chairman and members of the transportation committee. I would like to thank you for providing the opportunity for today's testimony, concerning the fuel tax increases, as outlined in Senate Bill SB:1 Transportation Bill.

My name is Gerald Dannel, I am the vice president of operations for Liberty Petroleum Distributors, located in Harford, Susquehanna County. We are a family owned business and employ over 370 employees in the rural communities of North Eastern Pennsylvania. Most of our businesses are located along I-81, I-84, I-380 and I-80.

We have been a Pennsylvania Class 1 Motor Fuels Distributor since 1997, we collect and remit approximately \$21 Million dollars in motor fuel taxes to the Commonwealth annually. This accounts for between 1.5 and 2% of the total motor fuel taxes collected last year by the Commonwealth.

I speak today, not only on behalf of my company and petroleum distributors, but also on the behalf of every citizen and motorist of Pennsylvania in order to provide an understanding that the effects of the steep and rapid motor fuel tax increases, contained in this bill, will have on the constituents.

Currently the total fuel tax in Pennsylvania is 50.70 cents per gallon on gasoline and 62.50 cents per gallon on diesel fuel. Based on the information provided to us, by Pennsylvania Petroleum Association, the bill was passed by the Senate last week, and should the bill become law, the taxes will rise an additional 8.5 cents per gallon on gasoline and 11.9 cents per gallon on diesel effective July 1st 2013. In 6 months, we are looking at a similar increase. In 18 months, the tax on gasoline would go up by 28.5

cents and approximately 39 cents on diesel. In 18 short months, by January 1, 2015 we are looking at nearly double the motor fuel tax in Pennsylvania compared with current rates. The result in just 6 months would be Pennsylvania having the highest motor fuel tax of all the United States. These figures as well as additional graphs can be reviewed in the handout provided.

A steep and rapid tax increase of this nature will have a crippling effect to many industries, in addition to being a severe burden on every motorist travelling with in Pennsylvania. This translates to a motorist paying \$5.00 more on an average tank of gasoline for a midsize car and \$80.00 more on an average tank of diesel for a tractor trailer. If this bill passes, we are projecting a drop of almost 35% of our sales, reducing tax revenue to the Commonwealth of Pennsylvania.

We are in agreement that Pennsylvania needs funding to fix its roads and bridges, but these tax increases are not the answer to the shortfall in funding as raising the taxes will only lead to

- a) Reduced consumption hence reducing tax revenue.
- b) Motorists purchasing fuel in our neighboring states where taxes are much lower.
- c) Extra enforcement required by Pennsylvania Department of Revenue to monitor fuel crossing state lines illegally.
- d) Trucking and warehousing companies moving operations out of Pennsylvania due to high costs of doing business in the state, causing loss of tax revenue and loss of jobs.
- e) Loss of thousands of jobs at Pennsylvania gas stations, truck stops, restaurants and ancillary businesses due to loss of business going to neighboring states.

In our opinion the funding required can be provided by other methods

- a) Raise the cap on oil company franchise tax from \$1.25 to \$2.49 over 10 years gradually, instead of abruptly removing it altogether as proposed. This will provide the necessary funding to accomplish the required repairs needed for our highways and bridges, without adversely harming the tax payers.
- b) Reduce cost, eliminate waste and enact reform to the prevailing-wage law which requires a premium that can drive up costs for transportation projects.
- c) Identify vehicles of industries that cause the most damage to our roads, and implement a special tax on such vehicles.
- d) Based on National Conference of State Legislators article, Pennsylvania remains the largest natural gas producing state without a severance tax. Severance taxes helps insure that the costs associated with resource extraction such as road construction and maintenance are paid by the producers. Pennsylvania should establish a severance tax on natural gas production as many states have currently placed.
- e) Pennsylvania may also look to other similar states, for ideas, on how to maintain their roads and bridges without drastic increases to motor fuel taxes.

Thank you once again for the opportunity to present our position on this matter, and hope that you will take our recommendations and concerns while making your decision.

I am welcome to take questions at this time.

PENNSYLVANIA FUEL TAX INCREASES AS PROPOSED IN SB 1

GASOLINE

	CURRENT	Jul-13	Jan-14	Jan-15
PA OIL CO FRANCHISE TAX CAP	\$1.25	\$1.87	\$2.49	\$3.11
TIME FROM NOW		2 WEEKS	6 MONTHS	18 MONTHS

TOTAL TAX ON GASOLINE

	CURRENT	Jul-13	Jan-14	Jan-15
PA FUEL TAX	\$ 0.120	\$ 0.110	\$ 0.100	\$ 0.120
PA OIL CO. FRANCHISE TAX	\$ 0.192	\$ 0.287	\$ 0.382	\$ 0.477
PA USTIF	\$ 0.011	\$ 0.011	\$ 0.011	\$ 0.011
FEDERAL FUEL TAX	\$ 0.184	\$ 0.184	\$ 0.184	\$ 0.184
TOTAL GAS TAX IN PA	\$ 0.507	\$ 0.592	\$ 0.677	\$ 0.792
TIME FROM NOW	NOW	2 WEEKS	6 MONTHS	18 MONTHS

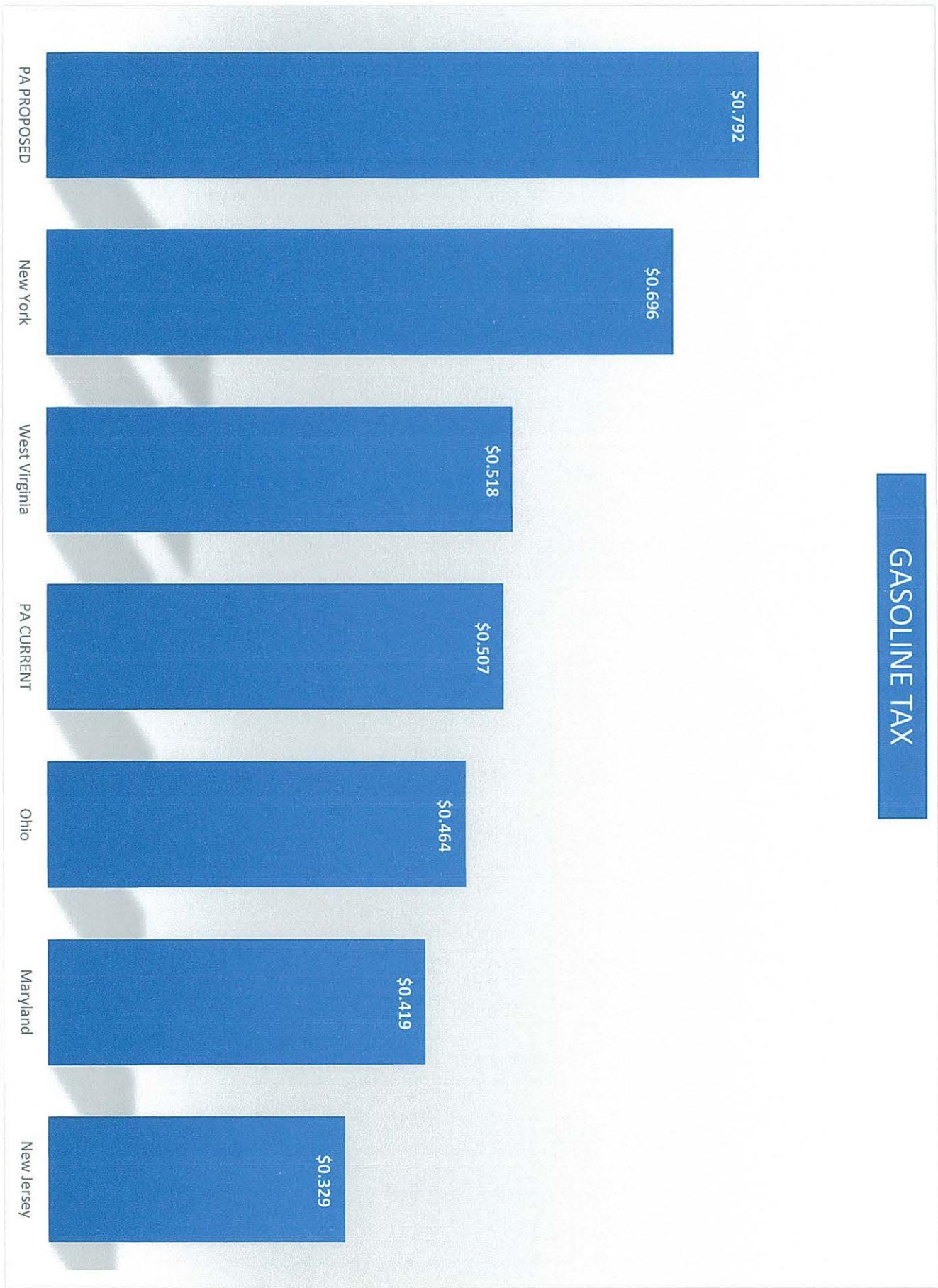
DIESEL

	CURRENT	Jul-13	Jan-14	Jan-15
PA OIL CO FRANCHISE TAX CAP	\$1.25	\$1.87	\$2.49	\$3.11
TIME FROM NOW		2 WEEKS	6 MONTHS	18 MONTHS

TOTAL TAX ON DIESEL

	CURRENT	Jul-13	Jan-14	Jan-15
PA FUEL TAX	\$ 0.120	\$ 0.110	\$ 0.100	\$ 0.120
PA OIL CO. FRANCHISE TAX	\$ 0.261	\$ 0.390	\$ 0.519	\$ 0.648
FEDERAL FUEL TAX	\$ 0.244	\$ 0.244	\$ 0.244	\$ 0.244
TOTAL DIESEL TAX IN PA	\$ 0.625	\$ 0.744	\$ 0.863	\$ 1.012
TIME FROM NOW	NOW	2 WEEKS	6 MONTHS	18 MONTHS

GASOLINE TAX



DIESEL TAX

