

News from Senator

BOB DOLE



(R - Kansas)

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DOLE WINS DIESEL FUEL TAX REFORM FOR KANSAS CONSUMERS AND DISTRIBUTORS

WASHINGTON -- The Internal Revenue Service informed Kansas Senator Bob Dole today that it agrees with his call for tax relief and fairness for diesel fuel distributors and consumers.

In changing its rules governing sales of diesel fuel to tax exempt consumers, the IRS agreed to lower the bulk sales requirement to allow small retailers to make tax-free sales of diesel fuel to exempt groups, such as farmers.

Senator Dole had been pushing the Administration to make the change. Included in his efforts were letters on the subject to IRS Commissioner Lawrence Gibbs and Treasury Secretary Nicholas Brady.

"This is an important reform for Kansas," Dole said. "Previously, many small wholesale distributors of diesel fuel in Kansas could not register as diesel fuel 'producers' under Treasury regulations. Only registered producers can make purchases and sales of diesel fuel for exempt use without collection and payment of the tax up front. Without registration, these small distributors had to charge and pay tax on all of their diesel fuel transactions, even though the ultimate purchasers were all exempt users. That policy didn't make any sense. It was a significant hardship on both the user and the small distributor who had to compete with larger, registered producers."

"The problem was that I.R.S. Notice 88-132 defines the term 'producer' for registration purposes as a wholesale distributor who makes at least 30% of his sales (by number) in bulk quantities of at least 250 gallons. This threshold is simply too high for distributors in rural areas whose customers often live 20-30 miles away and drive trucks with fuel storage tank capacities of less than 100 gallons," Dole said.

Under the revised notice requested by Senator Dole, the Treasury will now require 50% of sales by volume to be made to owners of 50 gallon tanks in quantities of only 25 gallons, one-tenth the previous requirement, provided that the retailer makes at least 500 such sales per year. Moreover, a retailer who sells at least 70% of its output to exempt users will also qualify automatically. This rule accommodates key and card control sales.

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