

**Testimony on Gasoline Shrinkage Allowance**  
**February 12, 2016**

George Beato, Controller, Champlain Oil Company, INC.

Thank you for your time and consideration. I have been the Controller of Champlain Oil Company for the past 31 years during which we have grown into one of the largest gasoline distributors in the state. I would like to point out another issue the state should consider before eliminating the allowance and the alternative method of remitting the petroleum taxes. Through the years I have worked extensively with auditors of the Department of Motor Vehicles in not only ensuring we have paid the taxes correctly, but also tweaking the forms and procedures so it streamlined the process of the state efficiently collecting the tax.

With remittance of the taxes via the alternative method of accounting for gallons on first import, the state has the advantage of checks and balances as it receives reports from all the major suppliers from in state and out of state terminals, the quantity of petroleum we have purchased. In an audit they compare these gallon numbers to the gallons the licensed distributors report to determine any deficiencies. If the alternative method is eliminated or not incentivized for the distributors to use this check goes away. The state would now have to rely on the integrity of all the distributors to report their gallon sales correctly from their inventories. Hopefully you can see the room for error in this method and the increased work on the audit department for compliance.

In regards to the eliminating the allowance, as you have heard distributors are faced with real gasoline shrinkage for many reasons. With the elimination of the allowance, distributors are no longer incentivized to pay on first import. Even though interest rates are at historically low levels it does not make financial sense to pay on gallons sitting in our storage tanks. At that point we would switch to remitting taxes on gallons sold or pushing the burden to the retailer.

Again thank you for your time and I hope I have adequately informed you of some of our concerns as petroleum distributors. I would be more than happy to address any questions

Respectfully submitted,  
George Beato