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REPORTS: No

HEARINGS: No

NEWSPAPER ARTICLES: Yes

"Gov. signs Bucco bill to keep fuel industry in New Jersey by covering cost of bad tax debt," US Fed News (USA), November 23, 2016

RWH/JA

P.L.2016, CHAPTER 66, *approved November 21, 2016*
Assembly, No. 3988

1 AN ACT allowing certain fuel dealers and distributors refunds of
2 petroleum products gross receipts tax and credits against motor
3 fuel tax for certain bad debts from the dealers' and distributors'
4 sale of fuel, supplementing P.L.1990, c.42 (C.54:15B-1 et seq.)
5 and P.L.2010, c.22 (C.54:39-101 et seq.).
6

7 **BE IT ENACTED** by the Senate and General Assembly of the State
8 of New Jersey:
9

10 1. a. A distributor of motor fuels licensed pursuant to section
11 33 of P.L.2010, c.22 (C.54:39-133) or a person that has been
12 recognized as a licensed company pursuant to section 6 of
13 P.L.1991, c.181 (C.54:15B-12) shall be allowed a refund for the
14 portion of a bad debt from the sale of fuel that constitutes petroleum
15 products gross receipts tax. The portion of a bad debt from the sale
16 of fuel that constitutes petroleum products gross receipts tax shall
17 be determined from the purchase and sale records concerning the
18 person filing for the refund and shall be that portion of the charge
19 for fuel and the charge for tax that is the charge for tax, without
20 regard to any other charges reflected on the distributor's invoice.

21 b. As an alternative to applying for a refund, a taxpayer that
22 has been recognized as a licensed company pursuant to section 6 of
23 P.L.1991, c.181 (C.54:15B-12) may elect to receive the value of the
24 portion of a bad debt from the sale of fuel that constitutes petroleum
25 products gross receipts tax by taking a deduction from gallons sold
26 against the payment otherwise required pursuant to section 7 of
27 P.L.1990, c.42 (C.54:15B-7). The reduction of the payment
28 required pursuant to section 7 of P.L.1990, c.42 (C.54:15B-7) shall
29 be applied on the report for the period during which the bad debt is
30 written off as uncollectible in the claimant's books and records and
31 is eligible to be deducted for federal income tax purposes. If the
32 reduction of payment allowed pursuant to this subsection exceeds
33 the amount of petroleum products gross receipts tax otherwise due
34 for the period during which the bad debt is written off, that amount
35 of excess may be carried forward to subsequent periods, as
36 necessary, and applied against liability in those periods.

37 c. For the purposes of this section:

38 "Bad debt" means "bad debt" as defined by section 166 of the
39 federal Internal Revenue Code (26 U.S.C. s.166) as the basis for
40 calculating bad debt recovery; provided however, the amount
41 calculated pursuant to section 166 of the federal Internal Revenue
42 Code (26 U.S.C. s.166) shall be adjusted to consider any amount

1 paid on an account to be a payment for motor fuel and petroleum
2 products gross receipts tax, and any charges on the account for
3 anything other than motor fuel and petroleum products gross
4 receipts tax shall be disregarded in calculating the amount of bad
5 debt.

6 d. If the refund for bad debt pursuant to subsection a. of this
7 section or the deduction from the payment otherwise required
8 pursuant to section 7 of P.L.1990, c.42 (C.54:15B-7) allowed
9 pursuant to subsection b. of this section is taken for a bad debt and
10 the debt is subsequently collected in whole or in part, any amount
11 collected shall be considered payment for motor fuel, petroleum
12 products gross receipts tax, and any associated service charges
13 reflected on the account, and the proportion of the amount collected
14 that is petroleum products gross receipts tax shall be paid and
15 reported on the report filed for the period in which the collection is
16 made.

17

18 2. a. A distributor shall be allowed a credit against the
19 payment required pursuant to subsection c. of section 5 of P.L.2010,
20 c.22 (C.54:39-105) for the portion of a bad debt from the sale of
21 motor fuel that constitutes motor fuel tax. The portion of a bad debt
22 from the sale of motor fuel that constitutes motor fuel tax shall be
23 determined from the statements required by subsection a. of section
24 5 of P.L.2010, c.22 (C.54:39-105) to be delivered with each
25 consignment of fuel to a purchaser and shall be that portion of the
26 charge for fuel and the charge for tax that is the charge for tax,
27 without regard to any other charges reflected on the statement.

28 b. The credit against the payment required pursuant to
29 subsection c. of section 5 of P.L.2010, c.22 (C.54:39-105) allowed
30 pursuant to subsection a. of this section shall be applied on the
31 report for the period during which the bad debt is written off as
32 uncollectible in the claimant's books and records and is eligible to
33 be deducted for federal income tax purposes. If the amount of the
34 credit allowed pursuant to subsection a. of this section exceeds the
35 amount of motor fuel tax for the period during which the bad debt is
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41 federal Internal Revenue Code (26 U.S.C. s.166) as the basis for
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44 Code (26 U.S.C. s.166) shall be adjusted to consider any amount
45 paid on an account to be a payment for motor fuel and motor fuel
46 tax, and any charges on the account for anything other than motor
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48 amount of bad debt.

1 d. If the credit against the payment required pursuant to
2 subsection c. of section 5 of P.L.2010, c.22 (C.54:39-105) allowed
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4 the debt is subsequently collected in whole or in part, any amount
5 collected shall be considered payment for motor fuel, motor fuel
6 tax, and any associated service charges on the account and the
7 portion of the amount collected that constitutes motor fuel tax shall
8 be paid and reported on the report filed for the period in which the
9 collection is made.

10
11 3. This act shall take effect immediately and apply to fuel sold
12 on or after the first day of the third month next following the date of
13 enactment.

14 15 16 STATEMENT

17
18 This bill allows motor fuel distributors and heating oil dealers a
19 refund of their petroleum products gross receipts tax for certain
20 "bad debts" on their sales of fuel.

21 This bill also allows motor fuel distributors a credit against their
22 motor fuel tax due for certain bad debts on their sales of motor fuel.

23 Motor fuel distributors sell motor fuel to other distributors and to
24 retail dealers for that price they must charge for the fuel plus the
25 State petroleum products gross receipts tax (\$0.04 per gallon for
26 gasoline and diesel) and motor fuel tax (\$0.105 per gallon for
27 gasoline and \$0.135 for diesel fuel). In general, motor fuel
28 distributors purchase motor fuel "tax included" and pass the tax on
29 to their customer. Heating oil dealers generally purchase their fuel
30 "tax free," and must charge their non-exempt customers for the
31 petroleum products gross receipts tax on their sales of heating oil.
32 The distributors and dealers must pay these taxes when they
33 purchase motor fuel and then pass them on to their customers. If a
34 distributor's or dealer's customer goes out of business or fails to
35 pay for some other reason, the distributor of motor fuel is at risk not
36 only on the loss for the cost of the fuel but also on the loss for the
37 taxes.

38 The petroleum products gross receipts tax and the motor fuels tax
39 are frequently co-collected but are independently administered.

40 This bill allows a distributor or dealer who has an account that
41 becomes an uncollectible bad debt to claim a refund of petroleum
42 products gross receipts tax for the petroleum products gross receipts
43 tax portion of the bad debt. To make the process as simple as
44 possible, the sellers that are recognized as licensed companies
45 allowed to directly pay petroleum products gross receipts tax on
46 their sales are allowed, in the alternative, to take the refund in the
47 form of a deduction on their tax returns.

A3988

1 This bill allows a motor fuel distributor who has an account that
2 becomes an uncollectible bad debt to claim a credit against motor
3 fuel tax liability for the motor fuel tax portion of the bad debt.

4 The bill defines that a “bad debt” becomes uncollectible when it
5 becomes a bad debt deduction for federal income tax purposes.

6 In the case of each tax, if a portion of the bad debt that was
7 previously written off as uncollectible is ultimately collected, a
8 dealer or distributor who was allowed a refund or credit must pay
9 the portion of the amount collected that represents the tax liability.

10

11

12

13

14 Allows certain fuel dealers and distributors refunds of petroleum
15 products gross receipts tax and credits against motor fuel tax for
16 certain bad debts from sale of fuel.

ASSEMBLY, No. 3988

STATE OF NEW JERSEY 217th LEGISLATURE

INTRODUCED JUNE 23, 2016

Sponsored by:

Assemblyman GARY S. SCHAER

District 36 (Bergen and Passaic)

Assemblywoman HOLLY SCHEPISI

District 39 (Bergen and Passaic)

Assemblywoman GAIL PHOEBUS

District 24 (Morris, Sussex and Warren)

Assemblyman PARKER SPACE

District 24 (Morris, Sussex and Warren)

Senator ANTHONY R. BUCCO

District 25 (Morris and Somerset)

Senator STEVEN V. OROHO

District 24 (Morris, Sussex and Warren)

Co-Sponsored by:

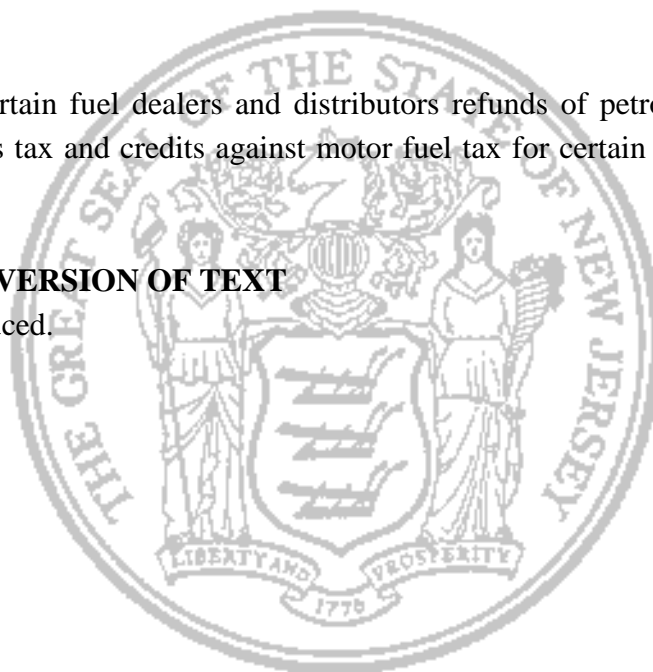
Assemblyman O'Scanlon

SYNOPSIS

Allows certain fuel dealers and distributors refunds of petroleum products gross receipts tax and credits against motor fuel tax for certain bad debts from sale of fuel.

CURRENT VERSION OF TEXT

As introduced.



(Sponsorship Updated As Of: 10/11/2016)

1 AN ACT allowing certain fuel dealers and distributors refunds of
2 petroleum products gross receipts tax and credits against motor
3 fuel tax for certain bad debts from the dealers' and distributors'
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6 3. This act shall take effect immediately and apply to fuel sold
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11 STATEMENT

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14 refund of their petroleum products gross receipts tax for certain
15 “bad debts” on their sales of fuel.

16 This bill also allows motor fuel distributors a credit against their
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18 Motor fuel distributors sell motor fuel to other distributors and to
19 retail dealers for that price they must charge for the fuel plus the
20 State petroleum products gross receipts tax (\$0.04 per gallon for
21 gasoline and diesel) and motor fuel tax (\$0.105 per gallon for
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24 to their customer. Heating oil dealers generally purchase their fuel
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33 The petroleum products gross receipts tax and the motor fuels tax
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35 This bill allows a distributor or dealer who has an account that
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39 possible, the sellers that are recognized as licensed companies
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41 their sales are allowed, in the alternative, to take the refund in the
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43 This bill allows a motor fuel distributor who has an account that
44 becomes an uncollectible bad debt to claim a credit against motor
45 fuel tax liability for the motor fuel tax portion of the bad debt.

46 The bill defines that a “bad debt” becomes uncollectible when it
47 becomes a bad debt deduction for federal income tax purposes.

A3988 SCHAER, SCHEPISI

5

1 In the case of each tax, if a portion of the bed debt that was
2 previously written off as uncollectible is ultimately collected, a
3 dealer or distributor who was allowed a refund or credit must pay
4 the portion of the amount collected that represents the tax liability.

ASSEMBLY BUDGET COMMITTEE

STATEMENT TO

ASSEMBLY, No. 3988

STATE OF NEW JERSEY

DATED: JUNE 23, 2016

The Assembly Budget Committee reports favorably Assembly Bill No. 3988.

Assembly Bill No. 3988 allows motor fuel distributors and heating oil dealers a refund of their petroleum products gross receipts tax for certain “bad debts” on their sales of fuel.

This bill also allows motor fuel distributors a credit against their motor fuel tax due for certain bad debts on their sales of motor fuel.

Motor fuel distributors sell motor fuel to other distributors and to retail dealers for that price they must charge for the fuel plus the State petroleum products gross receipts tax (\$0.04 per gallon for gasoline and diesel) and motor fuel tax (\$0.105 per gallon for gasoline and \$0.135 for diesel fuel). In general, motor fuel distributors purchase motor fuel “tax included” and pass the tax on to their customer. Heating oil dealers generally purchase their fuel “tax free,” and must charge their non-exempt customers for the petroleum products gross receipts tax on their sales of heating oil. The distributors and dealers must pay these taxes when they purchase motor fuel and then pass them on to their customers. If a distributor’s or dealer’s customer goes out of business or fails to pay for some other reason, the distributor of motor fuel is at risk not only on the loss for the cost of the fuel but also on the loss for the taxes.

The petroleum products gross receipts tax and the motor fuels tax are frequently co-collected but are independently administered.

This bill allows a distributor or dealer who has an account that becomes an uncollectible bad debt to claim a refund of petroleum products gross receipts tax for the petroleum products gross receipts tax portion of the bad debt. To make the process as simple as possible, the sellers that are recognized as licensed companies allowed to directly pay petroleum products gross receipts tax on their sales are allowed, in the alternative, to take the refund in the form of a deduction on their tax returns.

This bill allows a motor fuel distributor who has an account that becomes an uncollectible bad debt to claim a credit against motor fuel tax liability for the motor fuel tax portion of the bad debt.

The bill defines that a “bad debt” becomes uncollectible when it becomes a bad debt deduction for federal income tax purposes.

In the case of each tax, if a portion of the bad debt that was previously written off as uncollectible is ultimately collected, a dealer or distributor who was allowed a refund or credit must pay the portion of the amount collected that represents the tax liability.

FISCAL IMPACT:

The Office of Legislative Services expects this bill will result in an indeterminate annual decrease in State revenues, but cannot quantify the loss due of a lack of information on the frequency and magnitude of “bad debts” in the fuel business.

As the bill allows for certain distributors and dealers to receive a refund of their petroleum products gross receipts tax and allows motor fuel distributors a credit against their motor fuel tax due for certain bad debts on their sales of motor fuel, the revenues under those taxes will decrease. However, as the bill requires that if a portion of the bad debt, previously written off as uncollectible, is collected, the dealer or distributor who was allowed a refund or credit, must pay the portion of the amount collected that represents the tax liability, which will moderate the net decrease.

LEGISLATIVE FISCAL ESTIMATE
ASSEMBLY, No. 3988
STATE OF NEW JERSEY
217th LEGISLATURE

DATED: JUNE 30, 2016

SUMMARY

- Synopsis:** Allows certain fuel dealers and distributors refunds of petroleum products gross receipts tax and credits against motor fuel tax for certain bad debts from sale of fuel.
- Type of Impact:** Potential revenue decrease to the State General Fund and the Transportation Trust Fund.
- Agencies Affected:** Department of Transportation

Office of Legislative Services Estimate

Fiscal Impact	Fiscal Year 2016	Fiscal Year 2017	Fiscal Year 2018
Direct State Revenue Loss	Indeterminate – See comments below		

- The Office of Legislative Services expects the bill to decrease revenues to the State General Fund and the Transportation Trust Fund, as the legislation allows for certain distributors and dealers to receive a refund of their petroleum products gross receipts tax for certain “bad debts” on their sales of fuel, and similarly allows motor fuel distributors a credit against their motor fuel tax due for certain bad debts on their sales of motor fuel.
- However, the bill requires that if a portion of the bad debt, which was previously written off as uncollectible, is collected, the dealer or distributor, who was allowed a refund or credit, must pay the portion of the amount collected that represents the tax liability. Any taxes recovered, as a result of the collection of the bad debt, would reduce the impact of the bill.

BILL DESCRIPTION

Assembly Bill No. 3988 of 2016 allows certain distributors and dealers a refund of their petroleum products gross receipts tax for certain “bad debts” on their sales of fuel. Additionally, the bill allows motor fuel distributors a credit against their motor fuel tax due for certain bad debts on their sales of motor fuel.

The bill defines that a “bad debt” becomes uncollectible when it becomes a bad debt deduction for federal income tax purposes. In the case of each tax, if a portion of the bad debt that was previously written off as uncollectible is ultimately collected, a dealer or distributor who was allowed a refund or credit must pay the portion of the amount collected that represents the tax liability.

FISCAL ANALYSIS

EXECUTIVE BRANCH

None received

OFFICE OF LEGISLATIVE SERVICES

The Office of Legislative Services expects the bill to decrease revenues to the State General Fund and the Transportation Trust Fund, as the legislation allows for certain distributors and dealers to receive a refund of their petroleum products gross receipts tax for certain “bad debts” on the sales of fuel, and similarly allows motor fuel distributors a credit against the motor fuel tax due for certain bad debts on the sales of motor fuel. However, the bill requires that if a portion of the bad debt, which was previously written off as uncollectible, is collected, the dealer or distributor, who was allowed a refund or credit, must pay the portion of the amount collected that represents the tax liability. Any taxes recovered, as a result of the collection of the bad debt, would reduce the impact of the bill.

Motor fuel distributors sell motor fuel to other distributors and to retail dealers at a price which includes the cost of the fuel plus the State petroleum products gross receipts tax (\$0.04 per gallon for gasoline and diesel) and motor fuel tax (\$0.105 per gallon for gasoline and \$0.135 for diesel fuel). Of the revenues collected, the first \$200 million of the petroleum products gross receipts tax and an amount equivalent to \$0.105 per gallon of the motor fuel tax is constitutionally dedicated to the Transportation Trust Fund (Article VIII, Section II, paragraph 4). The excess revenue generated from the petroleum products gross receipts tax and the motor fuel tax is then deposited into the State General Fund; however, traditionally, this revenue has also been deposited into the Transportation Trust Fund.

In general, motor fuel distributors purchase motor fuel “tax included” and pass the tax on to their customer. Heating oil dealers generally purchase their fuel “tax free,” and must charge their non-exempt customers for the petroleum products gross receipts tax on their sales of heating oil. The distributors and dealers must pay these taxes when they purchase motor fuel and then pass them on to their customers. If a distributor’s or dealer’s customer goes out of business or fails to pay for some other reason, the distributor of motor fuel is at risk not only for the loss of the cost of the fuel but also on the loss for the taxes paid.

The bill would alleviate the risk these distributors and dealers face by allowing tax credits and refunds to cover the taxes owed on the bad debt. By allowing these tax credits and refunds, the taxes that would be collected absent this bill would potentially be credited or refunded back to the distributor or dealer, reducing the amount of revenue to the State General Fund and Transportation Trust Fund. However, if the bad debt that was previously written off is collected, the distributor or dealer who was allowed the refund or credit would be responsible for paying the tax back to the State, helping to reduce the overall impact to the State General Fund and the Transportation Trust Fund.

Section: Revenue, Finance and Appropriations

*Analyst: Jordan M DiGiovanni
Assistant Fiscal Analyst*

*Approved: Frank W. Haines III
Legislative Budget and Finance Officer*

This fiscal estimate has been prepared pursuant to P.L.1980, c.67 (C.52:13B-6 et seq.).

ASSEMBLY, No. 3988

STATE OF NEW JERSEY 217th LEGISLATURE

INTRODUCED JUNE 23, 2016

Sponsored by:

Assemblyman GARY S. SCHAER

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Assemblywoman HOLLY SCHEPISI

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Assemblywoman GAIL PHOEBUS

District 24 (Morris, Sussex and Warren)

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Senator ANTHONY R. BUCCO

District 25 (Morris and Somerset)

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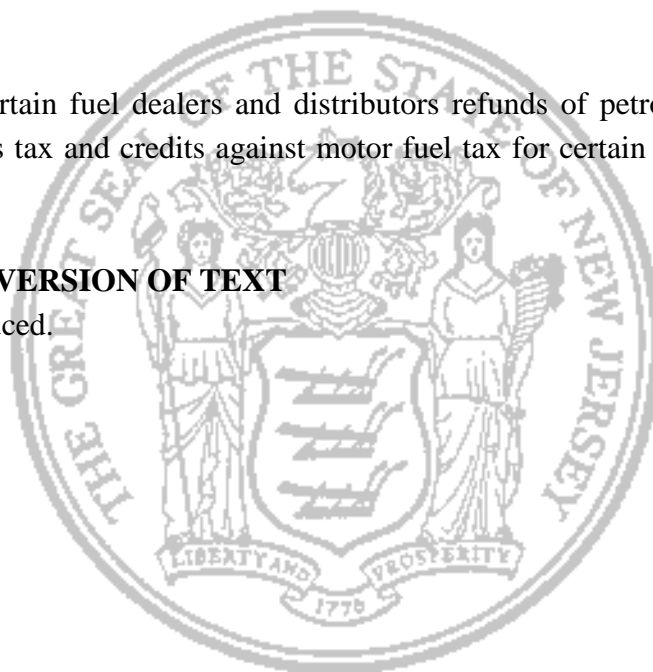
Assemblyman O'Scanlon

SYNOPSIS

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CURRENT VERSION OF TEXT

As introduced.



(Sponsorship Updated As Of: 10/11/2016)

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47 debt.

1 d. If the refund for bad debt pursuant to subsection a. of this
2 section or the deduction from the payment otherwise required
3 pursuant to section 7 of P.L.1990, c.42 (C.54:15B-7) allowed
4 pursuant to subsection b. of this section is taken for a bad debt and
5 the debt is subsequently collected in whole or in part, any amount
6 collected shall be considered payment for motor fuel, petroleum
7 products gross receipts tax, and any associated service charges
8 reflected on the account, and the proportion of the amount collected
9 that is petroleum products gross receipts tax shall be paid and
10 reported on the report filed for the period in which the collection is
11 made.

12

13 2. a. A distributor shall be allowed a credit against the
14 payment required pursuant to subsection c. of section 5 of P.L.2010,
15 c.22 (C.54:39-105) for the portion of a bad debt from the sale of
16 motor fuel that constitutes motor fuel tax. The portion of a bad debt
17 from the sale of motor fuel that constitutes motor fuel tax shall be
18 determined from the statements required by subsection a. of section
19 5 of P.L.2010, c.22 (C.54:39-105) to be delivered with each
20 consignment of fuel to a purchaser and shall be that portion of the
21 charge for fuel and the charge for tax that is the charge for tax,
22 without regard to any other charges reflected on the statement.

23 b. The credit against the payment required pursuant to
24 subsection c. of section 5 of P.L.2010, c.22 (C.54:39-105) allowed
25 pursuant to subsection a. of this section shall be applied on the
26 report for the period during which the bad debt is written off as
27 uncollectible in the claimant's books and records and is eligible to
28 be deducted for federal income tax purposes. If the amount of the
29 credit allowed pursuant to subsection a. of this section exceeds the
30 amount of motor fuel tax for the period during which the bad debt is
31 written off, that amount of excess credit may be carried forward to
32 subsequent periods, as necessary, and applied against liability in
33 those periods.

34 c. For the purposes of this section:

35 "Bad debt" means "bad debt" as defined by section 166 of the
36 federal Internal Revenue Code (26 U.S.C. s.166) as the basis for
37 calculating bad debt recovery; provided however, the amount
38 calculated pursuant to section 166 of the federal Internal Revenue
39 Code (26 U.S.C. s.166) shall be adjusted to consider any amount
40 paid on an account to be a payment for motor fuel and motor fuel
41 tax, and any charges on the account for anything other than motor
42 fuel and motor fuel tax shall be disregarded in calculating the
43 amount of bad debt.

44 d. If the credit against the payment required pursuant to
45 subsection c. of section 5 of P.L.2010, c.22 (C.54:39-105) allowed
46 pursuant to subsection a. of this section is taken for a bad debt and
47 the debt is subsequently collected in whole or in part, any amount
48 collected shall be considered payment for motor fuel, motor fuel

1 tax, and any associated service charges on the account and the
2 portion of the amount collected that constitutes motor fuel tax shall
3 be paid and reported on the report filed for the period in which the
4 collection is made.

5
6 3. This act shall take effect immediately and apply to fuel sold
7 on or after the first day of the third month next following the date of
8 enactment.

9
10
11 STATEMENT

12
13 This bill allows motor fuel distributors and heating oil dealers a
14 refund of their petroleum products gross receipts tax for certain
15 “bad debts” on their sales of fuel.

16 This bill also allows motor fuel distributors a credit against their
17 motor fuel tax due for certain bad debts on their sales of motor fuel.

18 Motor fuel distributors sell motor fuel to other distributors and to
19 retail dealers for that price they must charge for the fuel plus the
20 State petroleum products gross receipts tax (\$0.04 per gallon for
21 gasoline and diesel) and motor fuel tax (\$0.105 per gallon for
22 gasoline and \$0.135 for diesel fuel). In general, motor fuel
23 distributors purchase motor fuel “tax included” and pass the tax on
24 to their customer. Heating oil dealers generally purchase their fuel
25 “tax free,” and must charge their non-exempt customers for the
26 petroleum products gross receipts tax on their sales of heating oil.
27 The distributors and dealers must pay these taxes when they
28 purchase motor fuel and then pass them on to their customers. If a
29 distributor’s or dealer’s customer goes out of business or fails to
30 pay for some other reason, the distributor of motor fuel is at risk not
31 only on the loss for the cost of the fuel but also on the loss for the
32 taxes.

33 The petroleum products gross receipts tax and the motor fuels tax
34 are frequently co-collected but are independently administered.

35 This bill allows a distributor or dealer who has an account that
36 becomes an uncollectible bad debt to claim a refund of petroleum
37 products gross receipts tax for the petroleum products gross receipts
38 tax portion of the bad debt. To make the process as simple as
39 possible, the sellers that are recognized as licensed companies
40 allowed to directly pay petroleum products gross receipts tax on
41 their sales are allowed, in the alternative, to take the refund in the
42 form of a deduction on their tax returns.

43 This bill allows a motor fuel distributor who has an account that
44 becomes an uncollectible bad debt to claim a credit against motor
45 fuel tax liability for the motor fuel tax portion of the bad debt.

46 The bill defines that a “bad debt” becomes uncollectible when it
47 becomes a bad debt deduction for federal income tax purposes.

A3988 SCHAER, SCHEPISI

5

1 In the case of each tax, if a portion of the bed debt that was
2 previously written off as uncollectible is ultimately collected, a
3 dealer or distributor who was allowed a refund or credit must pay
4 the portion of the amount collected that represents the tax liability.

ASSEMBLY BUDGET COMMITTEE

STATEMENT TO

ASSEMBLY, No. 3988

STATE OF NEW JERSEY

DATED: JUNE 23, 2016

The Assembly Budget Committee reports favorably Assembly Bill No. 3988.

Assembly Bill No. 3988 allows motor fuel distributors and heating oil dealers a refund of their petroleum products gross receipts tax for certain “bad debts” on their sales of fuel.

This bill also allows motor fuel distributors a credit against their motor fuel tax due for certain bad debts on their sales of motor fuel.

Motor fuel distributors sell motor fuel to other distributors and to retail dealers for that price they must charge for the fuel plus the State petroleum products gross receipts tax (\$0.04 per gallon for gasoline and diesel) and motor fuel tax (\$0.105 per gallon for gasoline and \$0.135 for diesel fuel). In general, motor fuel distributors purchase motor fuel “tax included” and pass the tax on to their customer. Heating oil dealers generally purchase their fuel “tax free,” and must charge their non-exempt customers for the petroleum products gross receipts tax on their sales of heating oil. The distributors and dealers must pay these taxes when they purchase motor fuel and then pass them on to their customers. If a distributor’s or dealer’s customer goes out of business or fails to pay for some other reason, the distributor of motor fuel is at risk not only on the loss for the cost of the fuel but also on the loss for the taxes.

The petroleum products gross receipts tax and the motor fuels tax are frequently co-collected but are independently administered.

This bill allows a distributor or dealer who has an account that becomes an uncollectible bad debt to claim a refund of petroleum products gross receipts tax for the petroleum products gross receipts tax portion of the bad debt. To make the process as simple as possible, the sellers that are recognized as licensed companies allowed to directly pay petroleum products gross receipts tax on their sales are allowed, in the alternative, to take the refund in the form of a deduction on their tax returns.

This bill allows a motor fuel distributor who has an account that becomes an uncollectible bad debt to claim a credit against motor fuel tax liability for the motor fuel tax portion of the bad debt.

The bill defines that a “bad debt” becomes uncollectible when it becomes a bad debt deduction for federal income tax purposes.

In the case of each tax, if a portion of the bad debt that was previously written off as uncollectible is ultimately collected, a dealer or distributor who was allowed a refund or credit must pay the portion of the amount collected that represents the tax liability.

FISCAL IMPACT:

The Office of Legislative Services expects this bill will result in an indeterminate annual decrease in State revenues, but cannot quantify the loss due of a lack of information on the frequency and magnitude of “bad debts” in the fuel business.

As the bill allows for certain distributors and dealers to receive a refund of their petroleum products gross receipts tax and allows motor fuel distributors a credit against their motor fuel tax due for certain bad debts on their sales of motor fuel, the revenues under those taxes will decrease. However, as the bill requires that if a portion of the bad debt, previously written off as uncollectible, is collected, the dealer or distributor who was allowed a refund or credit, must pay the portion of the amount collected that represents the tax liability, which will moderate the net decrease.

LEGISLATIVE FISCAL ESTIMATE
ASSEMBLY, No. 3988
STATE OF NEW JERSEY
217th LEGISLATURE

DATED: JUNE 30, 2016

SUMMARY

- Synopsis:** Allows certain fuel dealers and distributors refunds of petroleum products gross receipts tax and credits against motor fuel tax for certain bad debts from sale of fuel.
- Type of Impact:** Potential revenue decrease to the State General Fund and the Transportation Trust Fund.
- Agencies Affected:** Department of Transportation

Office of Legislative Services Estimate

Fiscal Impact	Fiscal Year 2016	Fiscal Year 2017	Fiscal Year 2018
Direct State Revenue Loss	Indeterminate – See comments below		

- The Office of Legislative Services expects the bill to decrease revenues to the State General Fund and the Transportation Trust Fund, as the legislation allows for certain distributors and dealers to receive a refund of their petroleum products gross receipts tax for certain “bad debts” on their sales of fuel, and similarly allows motor fuel distributors a credit against their motor fuel tax due for certain bad debts on their sales of motor fuel.
- However, the bill requires that if a portion of the bad debt, which was previously written off as uncollectible, is collected, the dealer or distributor, who was allowed a refund or credit, must pay the portion of the amount collected that represents the tax liability. Any taxes recovered, as a result of the collection of the bad debt, would reduce the impact of the bill.

BILL DESCRIPTION

Assembly Bill No. 3988 of 2016 allows certain distributors and dealers a refund of their petroleum products gross receipts tax for certain “bad debts” on their sales of fuel. Additionally, the bill allows motor fuel distributors a credit against their motor fuel tax due for certain bad debts on their sales of motor fuel.

The bill defines that a “bad debt” becomes uncollectible when it becomes a bad debt deduction for federal income tax purposes. In the case of each tax, if a portion of the bad debt that was previously written off as uncollectible is ultimately collected, a dealer or distributor who was allowed a refund or credit must pay the portion of the amount collected that represents the tax liability.

FISCAL ANALYSIS

EXECUTIVE BRANCH

None received

OFFICE OF LEGISLATIVE SERVICES

The Office of Legislative Services expects the bill to decrease revenues to the State General Fund and the Transportation Trust Fund, as the legislation allows for certain distributors and dealers to receive a refund of their petroleum products gross receipts tax for certain “bad debts” on the sales of fuel, and similarly allows motor fuel distributors a credit against the motor fuel tax due for certain bad debts on the sales of motor fuel. However, the bill requires that if a portion of the bad debt, which was previously written off as uncollectible, is collected, the dealer or distributor, who was allowed a refund or credit, must pay the portion of the amount collected that represents the tax liability. Any taxes recovered, as a result of the collection of the bad debt, would reduce the impact of the bill.

Motor fuel distributors sell motor fuel to other distributors and to retail dealers at a price which includes the cost of the fuel plus the State petroleum products gross receipts tax (\$0.04 per gallon for gasoline and diesel) and motor fuel tax (\$0.105 per gallon for gasoline and \$0.135 for diesel fuel). Of the revenues collected, the first \$200 million of the petroleum products gross receipts tax and an amount equivalent to \$0.105 per gallon of the motor fuel tax is constitutionally dedicated to the Transportation Trust Fund (Article VIII, Section II, paragraph 4). The excess revenue generated from the petroleum products gross receipts tax and the motor fuel tax is then deposited into the State General Fund; however, traditionally, this revenue has also been deposited into the Transportation Trust Fund.

In general, motor fuel distributors purchase motor fuel “tax included” and pass the tax on to their customer. Heating oil dealers generally purchase their fuel “tax free,” and must charge their non-exempt customers for the petroleum products gross receipts tax on their sales of heating oil. The distributors and dealers must pay these taxes when they purchase motor fuel and then pass them on to their customers. If a distributor’s or dealer’s customer goes out of business or fails to pay for some other reason, the distributor of motor fuel is at risk not only for the loss of the cost of the fuel but also on the loss for the taxes paid.

The bill would alleviate the risk these distributors and dealers face by allowing tax credits and refunds to cover the taxes owed on the bad debt. By allowing these tax credits and refunds, the taxes that would be collected absent this bill would potentially be credited or refunded back to the distributor or dealer, reducing the amount of revenue to the State General Fund and Transportation Trust Fund. However, if the bad debt that was previously written off is collected, the distributor or dealer who was allowed the refund or credit would be responsible for paying the tax back to the State, helping to reduce the overall impact to the State General Fund and the Transportation Trust Fund.

Section: Revenue, Finance and Appropriations

*Analyst: Jordan M DiGiovanni
Assistant Fiscal Analyst*

*Approved: Frank W. Haines III
Legislative Budget and Finance Officer*

This fiscal estimate has been prepared pursuant to P.L.1980, c.67 (C.52:13B-6 et seq.).

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Governor Chris Christie Takes Action On Pending Legislation

Monday, November 21, 2016 Tags: [Bill Action](#)

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Trenton, NJ – Governor Chris Christie announced that he has taken action on the following legislation:

BILL SIGNINGS:

A-2574 (Gusciora, S. Kean) - Clarifies stadiums and arenas owned by local government entities are exempt from property taxation

A-3988/S-1091 (Schaer, Schepisi, Phoebus, Space/A.R. Bucco, Oroho) - Allows certain fuel dealers and distributors refunds of petroleum products gross receipts tax and credits against motor fuel tax for certain bad debts from sale of fuel

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