

Oil Tax Facts and Myths

Myth: The oil tax is a tax on “Big oil” profits.

Fact: This tax has nothing to do with *anybody’s* profits. It’s levied against the dollar value of total sales, regardless of any profit or even loss. Cooperatives are non-profit businesses and if they are the first importer of petroleum into Wisconsin, they must pay the tax. The oil profits tax has absolutely nothing to do with any company’s profit. The first importer of the motor fuel pays the tax based on their volume and cost of purchases.

Myth: The “anti-pass through” provision insulates consumers from paying the tax.

Fact 1: The oil tax proposal does include an anti-pass through provision. To comply with that provision, a cooperative will have no alternative but to reduce—and in some years even eliminate—annual patronage payments to its members, so the tax *will* come out of the retail customer’s pocket. Cooperatives are required by the IRS code to allocate their net profits (patronage) to their members on a pro-rata basis. In Wisconsin, annual patronage checks in recent years have ranged from a few dollars to several thousand dollars per individual member.

Fact 2: An anti-pass through provision included in a similar New York law was found unconstitutional. At least two separate legal opinions concluded that the anti-pass through budget provision is unconstitutional and would have little chance of surviving a court challenge in Wisconsin. The state would then have to refund all the money collected, in addition to incurring the expense and embarrassment of defending the provision.

Myth: The oil tax will not affect locally-owned cooperative motor fuel suppliers.

Fact: Over the past two years, the two wholesale cooperatives serving Wisconsin returned more than \$39 million to the 70 locally-owned cooperatives they supply with motor fuel. These dollars flow back directly to the communities from which they came.

Myth: If “Big oil” pays its share, the additional funding will help maintain and improve our state’s highway infrastructure, stimulating our economy.

Fact: Cooperative Network estimates the oil tax will siphon \$8-\$18 million from the Wisconsin cooperative system annually. These dollars are now generally reinvested in the economies of the rural communities where the purchases occurred in the first place

Myth: The oil tax is needed to replace dollars lost when indexing was repealed in 2006.

Fact: Indexing *was* repealed in 2006, but that’s not the whole story. Transportation Fund revenues have actually increased 3.9 percent over the past 5- and 10-year periods. But the Transportation Fund has been tapped for more than \$1.2 billion to finance *other* areas of state spending over the past six years. Wisconsin’s gas tax currently collects 30.9 cents per gallon, a 15 percent margin on each gallon you buy (assuming a retail price of \$2.07 per gallon). Wisconsin will also receive more than \$529 million in federal stimulus funding for highway infrastructure improvements.