

Collection Allowance is 2 ¼% of taxable fuel

- 10-47B-34. Percentage allowed to be retained to off-set administrative expenses of timely reporting. Any supplier or out-of-state supplier who properly remits tax under this chapter shall be allowed to retain an amount not to exceed two and one-fourth percent of the tax required to be paid on each gallon of fuel to this state. The amount to be retained is to help off-set the administrative expenses of timely reporting and payment of tax.

Source: SL 1995, ch 71, § 34.

Distribution of amount

- 10-47B-35. Distribution of amount retained for administrative expenses. The amount that the supplier is permitted to retain under § 10-47B-34 shall be distributed by the supplier or out-of-state supplier as follows:
 - (1) One-third retained by the supplier or out-of-state supplier to help off-set the administrative expense of timely reporting and remitting of tax;
 - (2) Two-thirds to the wholesale distributor, retail dealer, or end user who withdraws fuel from the terminal at the rack to help off-set the cost of fuel lost due to shrinkage caused by evaporation or temperature change.

Source: SL 1995, ch 71, § 35.

Administrative Fee – 1/3 of the 2 ¼%.

- Goes to the company who holds title of the fuel to compensate for the administrative cost and time involved in preparing tax return and remitting fuel tax to state of South Dakota. In 2007, \$134 Million Gross was collect in SD.
- Fuel taxed at time of withdrawal from pipeline/terminal.
- When a marketer sells fuel, they recoup the fuel tax previously paid to the state of SD.
- All Fuel taxes are due on the 25th of the month proceeding the month which fuel is withdrawn from pipeline/refinery

Shrinkage and Evaporation – 2/3 of 2 ¼%

- Temperature shrinkage is the volumetric reduction in gasoline and diesel fuel that occurs when the temperature of the liquid drops
- Evaporation is the tendency of a liquid to dissipate into vapor or fumes and be lost in the atmosphere. This happens when liquid is exposed to air
- Shrink and evaporation are not the same thing

Loss Allowances have been given to fuel marketers in South Dakota since 1933, the same year that SD first adopted a state fuel tax of 4 cents/gallon. This was due in recognition to the volumetric changes, loss of product during handling, and administrative costs for collecting and remitting the fuel tax. These are the same reasons allowed by law today.

History of Loss Allowance in South Dakota 1933-2008

1933	4% per month of total gallonage
1951	4% per month of total gallonage
1957	4 1/2% per month of total gallonage (fuel bonding required)
1965	4 1/2% of the 1st 2.5 million gallons per year 2% of gallonage in excess of 2.5 million gallons per year
1967	4 1/2% of the 1st 2.5 million gallons per year 2% of gallonage in excess of 2.5 million gallons per year
1982	4 1/2% of the 1st 2.5 million gallons per year 2% of gallonage in excess of 2.5 million gallons per year
1989	3 1/2% of 1st 1 million taxed gallons per year 3% of >1 million to 2.5 million taxed gallons per year 1% of all gallons > 2.5 million taxed gallons per year
1995	2 1/4% of all taxed gallons per year 1/3 of the 2 1/4% goes to supplier for administrative allowance 2/3 of the 2 1/4% goes to wholesalers, retailers and end users for shrink and evaporation

