

Determining factors for pricing gasoline and diesel.

- **Crude Oil Cost 53%, but ranges between (50 to 55%)**

This is the most volatile factor effecting the price of a gallon of gasoline. Crude oil is produced worldwide via traditional oil wells, ocean wells, oil shale fracturing, and Canadian tar sands. The cost to produce a barrel can vary from \$20 - \$90 per barrel depending on your geographic location and method of extraction.

- **Refining Cost 8%, ranges between (7%to 11%)**

Seasonal variation for the cost as well as availability of crud and maintenance operation schedule. Refining is the process that turns crude oil into gasoline and diesel. Refining cost varies depending upon the final product's specifications and the additives that are used to enhance it. In the case of gasoline, summer gasoline has low vaporization rates, which are required to eliminate excessive air pollution. Further, gasoline is made at different power and performance levels called octanes (i.e. 87, 89, &93) – the higher the octane, the higher the cost to manufacture. Both gasoline and diesel have added detergents, which clean engines and enhance performance. These additives also increase cost. Cost to refine gasoline varies between \$.40 and \$.70 per gallon, depending on whether summer or winter formulas are being used.

- **Distribution Marketing and Retailing Cost (18%) ranges slightly**

Varies slightly, based on labor and input costs. This cost includes transportation of the gasoline and diesel from the refineries to central distribution points around the country, such as convenience stores, gasoline stations, marinas, etc. Transportation methods include pipelines, railcars, ships, and trucks. Retail cost includes labor, utilities, and petroleum equipment. Diesel often cost more to transport due to it being heavier.

- **Tax Cost (20%)**

The tax portion of the price is the most stable. Excise taxes, which are used for the building and repair of roads and highways, are levied at both the national and state levels. Traditionally, federal taxes are allocated to the states, which combine them with their collections for highway improvement projects.

In Oregon the state tax is 34 cents (going to 40 by 2024), about 5.5 cents average local tax, and 18.5 cents federal.

Answers to questions from the Joint committee JCC

Since costs for marketing, distribution, and taxes are relatively stable, the values of crude oil and refined products is dictated daily by commodity traders at the New York Mercantile Exchange., The price demand elasticity of Gasoline is very inelastic. With 10% change of price causing only 1% change in consumption. However, since the tax component is the most stable of all price factors, the increase in that factor constitutes the classic “general increase in price”. Thus, it impacts demand accordingly and predictably.

For miles and vehicle costs claimed on tax returns.

The exemptions claimed for vehicle expenses and mileage, could be on Schedule C data, as in total miles. which is possible to get the business miles claimed from PIT taxpayers. For deductions that might come from being included in Schedule A's miscellaneous exemptions. It is all aggregate in the miscellaneous category but is possible to do more research and query the data to separate out that mileage expense, However DOR will need to have more time to do that. This exemption is also going away under the new federal tax law.

At any rate the total number of filers who itemized in the past and got the miscellaneous exemption are less than 140,000 filers, which is about 9% of total filers in the state. Keep in mind that those are higher income filers or businesses, and not the low-income credit that we are looking at.

Please let me know if I can answer any more question for you

Mazen Malik

Schedule C Mileage Claimed - Tax Year 2014-2017 - Full-year filers - Data from electronically filed returns

Tax Year	Business Miles, Line 44a		Commuting Miles, Line 44b		Other Miles, Line 44c		Total Miles		E-file sample percent*
	Number of Filers	Miles claimed	Number of Filers	Miles claimed	Number of Filers	Miles claimed	Number of Filers	Miles claimed	
2014	66,884	412,478,126	10,005	37,089,728	49,460	433,414,113	66,991	882,981,967	84.6%
2015	70,516	442,929,106	10,576	38,678,230	52,086	454,319,169	70,614	935,926,505	85.0%
2016	74,358	485,659,756	11,251	41,953,125	54,957	557,725,985	74,472	1,085,338,866	86.0%
2017	75,900	512,206,977	10,671	41,402,713	56,141	578,651,131	76,017	1,132,260,821	86.8%

*Percent of those full-year taxpayers filing a Schedule C, filing electronically