

June 25, 2026

Nevada Tax Commission  
3850 Arrowhead Drive, 2<sup>nd</sup> Floor  
Carson City, NV 89706

**Subject:** Message to Department's Audit Management!

If you think you can tell a business what to charge (example retail sales price or profit margin), then go after a big business like "Costco" and see what they say! (Commissioners, enclosed is an article from Google that explains Costco's simple business plan for your review)

Hello Commissioners,

If the Department's Audit Management think they have the education, professional work experience, and professional certifications to tell Costco what to charge (example retail sales price or profit margin), then go after it. Quit picking on small businesses that do not have the time and money to fight them.

Thank You and Be Safe,

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## **Not a 'loss leader'**

Costco actually makes a profit on gas – a few cents per gallon. That's substantially lower than the 25- to 35-cent markup that most gas stations take.

Unlike most gas stations, which are small, independently owned and operated businesses – maybe with an attached convenience store or a repair shop – Costco can rely on its massive scale and membership model to drive profit.

Last year, membership fees accounted for roughly two-thirds of the company's profit. Costco sells most of its products the same way it sells gasoline: at or just above cost – and sometimes below, like its famous \$1.50 hot dog and soda deal.

Competing gas stations need the markup to pay for overhead and repairs. When gas prices rise, customers buy less of it, keeping a relative cap on the amount they're able to charge.

That's why, ironically, when gas prices are high, most gas stations struggle to make money.

Costco has a different problem: When gas prices are high, Costco sells *more* gas. But, because gas is among its lowest-margin products, the company's overall profit margin gets squeezed. The opposite is true when prices are low.

Last year, when prices spent a considerable amount of time under \$3 a gallon on average, gas *added* about a tenth of a percentage point to the company's gross margin. Last quarter, gas *subtracted* two tenths of a point.

Nevertheless, it's a good problem to have. Costco said it brought in \$2.3 billion less in gas sales in 2025 than the year before because prices got cheaper.

Costco has 747 gas stations, which brought in 10% of its overall sales last year.