

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 5240-01
Bill No.: #HB 1310
Subject: Taxation and Revenue - Sales and Use; Motor Fuel
Type: Original
Date: March 2, 2012
#Correct Fiscal Note

Bill Summary: This proposal exempts motor fuel used in watercraft in this state from the motor fuel tax.

#FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2013	FY 2014	FY 2015
General Revenue	\$157,596	\$189,115	\$189,115
Total Estimated Net Effect on General Revenue Fund	\$157,596	\$189,115	\$189,115

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 9 pages.

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2013	FY 2014	FY 2015
Conservation Commission	\$6,566	\$7,880	\$7,880
Parks, and Soil and Water	\$5,253	\$6,304	\$6,304
School District Trust	\$52,532	\$63,038	\$63,038
Road Fund	\$0	\$0	\$0
Total Estimated Net Effect on <u>Other</u> State Funds	\$57,785	\$69,342	\$69,342

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2013	FY 2014	FY 2015
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2013	FY 2014	FY 2015
Total Estimated Net Effect on FTE	0	0	0

Estimated Total Net Effect on All funds expected to exceed \$100,000 savings or (cost).

Estimated Net Effect on General Revenue Fund expected to exceed \$100,000 (cost).

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2013	FY 2014	FY 2015
Local Government	\$115,534	\$138,641	\$138,641

FISCAL ANALYSIS

#ASSUMPTION

Officials from the **Department of Conservation** (MDC) assumes this proposal would exempt motor fuel used in watercraft in this state from the motor fuel tax.

MDC officials assume the proposal would have an unknown but greater than \$100,000 negative fiscal impact on their organization. Conservation Sales Tax funds are derived from one-eighth of one percent sales and use tax pursuant to the Missouri Constitution. Exempting motor fuel used in watercraft in this state from tax will decrease sales tax collected and thus would decrease revenue to the Conservation Sales Tax funds. MDC assumes the Department of Revenue would be better able to estimate the anticipated fiscal impact that would result from this proposal.

Officials from the **Department of Public Safety** and the **Department of Transportation** assume this proposal would have no fiscal impact on their organizations.

Officials from the **Office of Administration, Division of Budget and Planning (BAP)** should not result in additional costs or savings to the BAP.

The proposal exempts motor fuel used in watercraft from the motor fuel excise tax. This may reduce motor fuel revenues to the extent consumers are not already claiming refunds for such tax from the DOR.

However, since the fuel would no longer be subject to an excise tax, it would be subject to sales tax. This would be an increase to general revenues and dedicated sales tax funds. However, depending on the retail price of the fuel, the sales tax revenue may be less than or greater than the forgone fuel taxes, so the net revenue impact of this proposal cannot be determined.

Officials from the **Department of Revenue** (DOR) assume this proposal would have no fiscal impact on their organization. DOR officials also provided the following information.

This proposal would reduce motor fuel tax revenues, but some portion of the lost fuel tax would be offset by increased sales tax. No tax would be imposed on motor fuel delivered to a marina or other retailer within this state who sells such fuel solely for use in watercraft in this state. Motor fuel used for non-highway purposes, which includes marine use fuel, is already exempt from motor fuel tax and a refund may be claimed by the purchaser of the fuel. This proposal would provide a motor fuel tax exemption for fuel sold to marinas or retailers that sell fuel solely for use in watercraft. The proposal should reduce the number of refund claims, because fuel sold to consumers at marinas would no longer have fuel tax applied and the consumer would not have

#ASSUMPTION (continued)

to claim a refund. DOR assumes the distributor or supplier who sells fuel to the marina or retailer would apply for the refund. There are approximately fifteen (15) distributors that sell motor fuel to marinas.

Currently, each distributor that delivers gasoline to marinas located in counties with a lake that has 100 miles or more of shoreline, files monthly reports which reflect those deliveries. Each year, the Department compares that number of gallons of gasoline claimed by consumers for marine use in each qualifying county to the number of gallons of gasoline delivered to the marinas in that county. The fuel tax on the unclaimed gallons is then refunded to the county. The Department assumes that all distributors would claim a refund on the gallons they deliver to marinas, reducing the amount of unclaimed gallons. The department assumes counties will receive reduced disbursements of fuel tax on unclaimed gallons.

If fuel is not subject to the motor fuel tax, it is subject to sales tax. This proposal would increase sales tax to the state and would increase the sales tax distributions each qualifying county receives under Section 142.827.

In response to a proposal in 2011, DOR officials stated that there were 6,315 refund claims for marine fuel usage in FY 2010 which totaled \$766,727 and unallocated gallon distributions of \$357,217. DOR officials also stated that local sales tax is not assessed on refund claims subject to state sales tax, but a marina or other seller of fuel exempt from the motor fuel tax would be required to collect and remit local sales taxes in addition to the state sales tax.

Oversight assumes that this proposal would reduce but not eliminate motor fuel tax refund claims, and would result in additional sales tax revenues for those state funds which receive sales tax funds and for local governments. In addition, the unallocated motor fuel tax distributions would be eliminated. The FY 2013 impact of eliminating the unclaimed gallon distribution would be $(\$357,217 \times 10/12) = \$297,681$.

The refund claims of \$766,727 would indicate that there were $(\$766,727/0.17) = 4,510,159$ gallons of fuel; state sales taxes would have been calculated on those refunds but local sales tax would not have been assessed. At an average price of \$3.00 per gallon, that would indicate sales of $(4,510,159 \text{ gallons} \times \$3 \text{ per gallon}) = \$13,530,476$ and local government sales tax of $(\$13,530,476 \times .025 \text{ average rate}) = \$338,262$. Oversight assumes this proposal would be effective for ten months of FY 2013 and the FY 2013 impact would be $(10/12 \times \$338,262) = \$281,885$.

#ASSUMPTION (continued)

The unallocated gallon distributions of \$357,217 would indicate that there were $(\$357,217/0.17) = 2,101,276$ gallons of fuel sold; no sales tax would have been assessed on those gallons. At an average price of \$3.00 per gallon, that would indicate sales of $(\$3 \times 2,101,276) = \$6,303,828$. Sales tax on that amount would be as follows:

Fund	Rate	FY 2013 Sales Tax Amount	Annual Sales Tax Amount
General Revenue	.03	\$157,596	\$189,115
School District Trust	.01	\$52,532	\$63,038
Conservation Commission	.0125	\$6,566	\$7,880
Parks, and Soil and Water	.01	\$5,253	\$6,304
Local governments	.025 (estimated average)	\$131,330	\$157,596

Oversight notes that the amounts calculated above could vary based on the sales of motor fuel for use in watercraft.

<u>#FISCAL IMPACT - State Government</u>	FY 2013 (10 Mo.)	FY 2014	FY 2015
GENERAL REVENUE FUND			
<u>Additional revenue - sales tax</u>	<u>\$157,596</u>	<u>\$189,115</u>	<u>\$189,115</u>
ESTIMATED NET EFFECT ON GENERAL REVENUE FUND	<u>\$157,596</u>	<u>\$189,115</u>	<u>\$189,115</u>
CONSERVATION COMMISSION FUND			
<u>Additional revenue - sales tax</u>	<u>\$6,566</u>	<u>\$7,880</u>	<u>\$7,880</u>
ESTIMATED NET EFFECT ON CONSERVATION COMMISSION FUND	<u>\$6,566</u>	<u>\$7,880</u>	<u>\$7,880</u>
PARKS, AND SOIL AND WATER FUNDS			
<u>Additional revenue - sales tax</u>	<u>\$5,253</u>	<u>\$6,304</u>	<u>\$6,304</u>
ESTIMATED NET EFFECT ON PARKS, AND SOIL AND WATER FUNDS	<u>\$5,253</u>	<u>\$6,304</u>	<u>\$6,304</u>
SCHOOL DISTRICT TRUST FUND			
<u>Additional revenue - sales tax</u>	<u>\$52,532</u>	<u>\$63,038</u>	<u>\$63,038</u>
ESTIMATED NET EFFECT ON SCHOOL DISTRICT TRUST FUND	<u>\$52,532</u>	<u>\$63,038</u>	<u>\$63,038</u>

<u>#FISCAL IMPACT - State Government</u> (continued)	FY 2013 (10 Mo.)	FY 2014	FY 2015
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ROAD FUND

<u>Revenue</u> - Gain of sales tax assessed on previous refund claims	Unknown	Unknown	Unknown
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<u>Loss</u> - Loss of sales tax assessed on refund claims	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
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ESTIMATED NET EFFECT ON ROAD FUND	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
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<u>#FISCAL IMPACT - Local Government</u>	FY 2013 (10 Mo.)	FY 2014	FY 2015
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LOCAL GOVERNMENTS

<u>Additional revenue</u> - sales tax on motor fuel from former refund claims	<u>\$281,885</u>	<u>\$338,262</u>	<u>\$338,262</u>
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<u>Additional revenue</u> - sales tax on motor fuel from former unclaimed gallons	<u>\$131,330</u>	<u>\$157,596</u>	<u>\$157,596</u>
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<u>Revenue reduction</u> - unclaimed gallon distribution to counties	<u>(\$297,681)</u>	<u>(\$357,217)</u>	<u>(\$357,217)</u>
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ESTIMATED NET EFFECT ON LOCAL GOVERNMENTS	<u>\$115,534</u>	<u>\$138,641</u>	<u>\$138,641</u>
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#FISCAL IMPACT - Small Business

Yes, to the extent the small business sells fuel to marinas, the small business is a marina, or the small business competes with a marina in fuel sales.

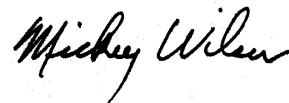
#FISCAL DESCRIPTION

The proposed legislation would exempt motor fuel used in watercraft in this state from the motor fuel tax.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

#SOURCES OF INFORMATION

Department of Conservation
Department of Public Safety
Department of Revenue
Department of Transportation
Office of Administration
 Division of Budget and Planning



Mickey Wilson, CPA
Director
March 2, 2012