

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 1298-01
Bill No.: HB 694
Subject: Motor Fuel; Transportation; Tax Incentives; Taxation and Revenue - Sales and Use; Taxation and Revenue - General
Type: Original
Date: February 7, 2017

Bill Summary: This proposal would make changes to motor fuel tax laws.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2018	FY 2019	FY 2020
General Revenue	(\$148,392)	\$0	\$0
Total Estimated Net Effect on General Revenue	(\$148,392)	\$0	\$0

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2018	FY 2019	FY 2020
State Highways and Transportation Department	Unknown to (Unknown)	Unknown to (Unknown)	Unknown to (Unknown)
Total Estimated Net Effect on <u>Other</u> State Funds	Unknown to (Unknown)	Unknown to (Unknown)	Unknown to (Unknown)

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 7 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2018	FY 2019	FY 2020
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2018	FY 2019	FY 2020
Total Estimated Net Effect on FTE	0	0	0

☒ Estimated Net Effect (expenditures or reduced revenues) expected to exceed \$100,000 in any of the three fiscal years after implementation of the act.

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2018	FY 2019	FY 2020
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Office of Administration - Division of Budget and Planning (BAP)** stated this proposal may have an unknown impact on Total State Revenues (TSR) and may have an impact on the revenue limitation calculation required by the state constitution.

BAP officials noted this proposal would allow owners of alternative fuel vehicles to pay fuel tax on alternative fuels instead of buying an alternative fuel decal. BAP officials also stated they cannot estimate how many individuals would choose to pay fuel tax at the pump rather than purchase an alternative fuel decal fee. In addition, BAP officials stated they do not have enough information to determine how many individuals would purchase a decal and pay fuel tax at unmanned pumps. Therefore, BAP officials assume this proposal may have an unknown minimal impact on TSR.

Officials from the **Department of Revenue (DOR)** provided the following response.

Section 142.800, RSMo.

This section would broaden the definition of delivery to include propulsion energy into the battery or storage device of a motor vehicle.

Section 142.803, RSMo.

This section would impose a tax on propane gas fuel at five cents per gallon until December 31, 2019. From January 1, 2020 until December 31, 2024, the tax would be increased to eight cents per gallon. Beginning January 1, 2025, the tax would be increased to eleven cents per gallon. The administration, collection, and enforcement procedures for the tax on propane would be the same as those governing the current state motor fuel tax.

The legislation would also include electricity and propane used for fueling motor vehicles and some other use, in the provision applying the tax imposed by this section to the entire amount used.

ASSUMPTION (continued)

Section 142.869, RSMo.

This section would allow owners of propane powered motor vehicles to use alternative fuel decals in lieu of paying the tax imposed in section 142.803. Subsection 8 would exempt from tax those vehicles fueled exclusively by propane, compressed natural gas, or liquefied natural gas.

It is unknown how many owners of motor vehicles powered by liquid petroleum gas would choose not to obtain or renew their alternative fuel decals. Therefore, there may be an unknown loss of alternative fuel decal fees collected by the department and distributed to the Motor Fuel Tax Fund.

Administrative Impact

Section 142.803 states that propane can be measured in gallons or pounds, and electricity is currently measured in watts. The Department would need to establish a gallon equivalent for electricity, plus ensure that propane tax information is submitted in gallons as opposed to tare weight.

This requires updates to computer systems and forms to account for these changes. Additionally, because there is not an emergency clause or other effective date slated for the changes, the Department assumes the changes would be effective August 28, 2017. For licensees, that would mean potentially four days of August would require motor fuel tax on electricity or propane, since licensees report monthly.

Oversight notes that DOR officials did not include an estimate of administrative cost to implement this proposal, and assumes the proposal could be implemented with existing resources. If unanticipated costs are incurred or if multiple proposals are implemented which increase DOR costs, resources could be requested through the budget process.

DOR officials included a cost of \$148,392 to update its IT systems to implement this proposal, and **Oversight** will include that cost estimate in this fiscal note.

Officials from the **Department of Transportation** deferred to the Department of Revenue for an estimate of the fiscal impact on this proposal.

ASSUMPTION (continued)

According to officials from the **Office of the Secretary of State (SOS)**, many bills considered by the General Assembly include provisions allowing or requiring agencies to submit rules and regulations to implement the act. The SOS is provided with core funding to handle a certain amount of normal activity resulting from each year's legislative session. The fiscal impact for this fiscal note to the SOS for Administrative Rules is less than \$2,500. The SOS recognizes that this is a small amount and does not expect that additional funding would be required to meet these costs. However, we also recognize that many such bills may be passed by the General Assembly in a given year and that collectively the costs may be in excess of what our office can sustain with our core budget. Therefore, we reserve the right to request funding for the cost of supporting administrative rules requirements should the need arise based on a review of the finally approved bills signed by the governor.

Officials from the **Joint Committee on Administrative Rules** stated this legislation is not anticipated to cause a fiscal impact beyond its current appropriation.

Officials from the **Missouri Department of Agriculture** assume this proposal would have no fiscal impact on their organization.

Oversight notes that Alternative Fuel Decal revenues for FY 2016 were \$334,622 and Motor Fuel Tax was \$726,175,748. This proposal would allow owners of alternative fuel vehicles to pay motor fuel tax on alternative fuels instead of buying an alternative fuel decal. Oversight does not have any information as to the amounts of alternative fuel taxes that might be collected from the proposed motor fuel tax on alternative fuels or the amount of alternative fuel decal fees that might be lost if vehicle owners choose to pay the motor fuel tax rather than purchase an alternative fuel decal. In addition, Oversight notes the scheduled motor fuel tax increases in this proposal could induce owners of alternative fuel vehicles to switch from paying the motor fuel tax to paying the decal fee in the future.

Oversight will indicate an unknown positive to unknown negative impact to the State Highways and Transportation Department Fund.

	FY 2018 (10 Mo.)	FY 2019	FY 2020
<u>FISCAL IMPACT - State Government</u>			
GENERAL REVENUE FUND			
<u>Cost - Department of Revenue</u> IT System Changes	(\$148,392)	\$0	\$0
ESTIMATED NET EFFECT ON GENERAL REVENUE FUND	<u>(\$148,392)</u>	<u>\$0</u>	<u>\$0</u>
STATE HIGHWAYS AND TRANSPORTATION DEPARTMENT FUND			
<u>Revenue increase or reduction - Motor fuel tax</u>	Unknown to (Unknown)	Unknown to (Unknown)	Unknown to (Unknown)
ESTIMATED NET EFFECT ON STATE HIGHWAYS AND TRANSPORTATION DEPARTMENT FUND	<u>Unknown to (Unknown)</u>	<u>Unknown to (Unknown)</u>	<u>Unknown to (Unknown)</u>
	FY 2018 (10 Mo.)	FY 2019	FY 2020
<u>FISCAL IMPACT - Local Government</u>			
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

This proposal could have a direct fiscal impact to small businesses which operate alternative fuel vehicles.

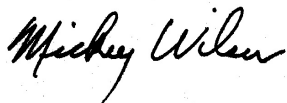
FISCAL DESCRIPTION

This proposal would make changes to motor fuel tax laws.

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

Office of the Secretary of State
Joint Committee on Administrative Rules
Office of Administration
 Division of Budget and Planning
Department of Agriculture
Department of Revenue
Department of Transportation



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Director
February 7, 2017

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Assistant Director
February 7, 2017