

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 1842-01  
Bill No.: SB 602  
Subject: Taxation and Revenue - Sales and Use; Agriculture and Animals  
Type: Original  
Date: March 3, 2003

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**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>			
FUND AFFECTED	FY 2004	FY 2005	FY 2006
General Revenue	(Unknown)	(Unknown)	(Unknown)
<b>Total Estimated Net Effect on General Revenue Fund</b>	<b>(UNKNOWN)</b>	<b>(UNKNOWN)</b>	<b>(UNKNOWN)</b>

<b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>			
FUND AFFECTED	FY 2004	FY 2005	FY 2006
School District Trust	(Unknown)	(Unknown)	(Unknown)
Conservation	(Unknown)	(Unknown)	(Unknown)
Parks and Soil	(Unknown)	(Unknown)	(Unknown)
<b>Total Estimated Net Effect on Other State Funds</b>	<b>(UNKNOWN)</b>	<b>(UNKNOWN)</b>	<b>(UNKNOWN)</b>

Numbers within parentheses: ( ) indicate costs or losses.  
This fiscal note contains 5 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2004	FY 2005	FY 2006
<b>Total Estimated Net Effect on <u>All</u> Federal Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2004	FY 2005	FY 2006
<b>Local Government</b>	<b>(UNKNOWN)</b>	<b>(UNKNOWN)</b>	<b>(UNKNOWN)</b>

### FISCAL ANALYSIS

#### ASSUMPTION

Officials of the **Department of Revenue** and the **Department of Agriculture** assume this proposal would not fiscally impact their agencies.

Officials of the **Office of Administration, Budget and Planning (BAP)** assume this bill would exempt natural gas used in the production of ethanol from taxation. BAP has no empirical basis for estimating the fiscal impact and thus defers to the Department of Revenue or the Department of Natural Resources for an estimate. This proposal would have no impact on BAP.

Officials from the **Department of Natural Resources (DNR)** assume this proposal removes the tax on natural gas used in the production or processing of ethanol. The proposed exemption is similar to Section 144.030 (31) and although the amount of natural gas used in the primary process of ethanol is unknown, DNR does not believe it to be significant. DNR assumes the proposal would result in decreased revenue to the Parks and Soils Sales Tax Fund. DNR further assumes the Department of Revenue or the Department of Agriculture would provide the revenue projections.

ASSUMPTION (continued)

**Oversight** assumes this proposal would potentially decrease revenue as ethanol producers will be allowed an exemption from sales tax on natural gas purchases for the production of the ethanol. The amount is unknown. **Oversight** will reflect the revenue loss for this proposal as a negative unknown for each year.

**This proposal could decrease Total State Revenue.**

<u>FISCAL IMPACT - State Government</u>	FY 2004 (10 Mo.)	FY 2005	FY 2006
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**GENERAL REVENUE FUND**

Loss - General Revenue

Sales tax exemption for natural gas used in the production of ethanol	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
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**ESTIMATED NET EFFECT ON  
GENERAL REVENUE FUNDS**

<u>(UNKNOWN)</u>	<u>(UNKNOWN)</u>	<u>(UNKNOWN)</u>
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**OTHER STATE FUNDS**

Loss - Other State Funds

Sales tax exemption for natural gas used in the production of ethanol			
School District Trust Fund	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
Conservation Sales Tax Fund	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
Parks and Soil Sales Tax Fund	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>

**ESTIMATED NET EFFECT ON  
OTHER STATE FUNDS**

<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
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FISCAL IMPACT - Local Government

FY 2004  
(10 Mo.)

FY 2005

FY 2006

Loss to Political Subdivisions

Sales tax exemption for natural gas used  
in the production of ethanol

(Unknown)

(Unknown)

(Unknown)

**ESTIMATED NET EFFECT ON  
LOCAL POLITICAL SUBDIVISIONS**

**(Unknown)**

**(Unknown)**

**(Unknown)**

FISCAL IMPACT - Small Business

Only ethanol producers would be expected to be impacted as a result of this proposal.

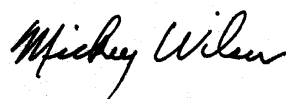
DESCRIPTION

This proposal establishes an exemption from state and local sales and use taxes for natural gas used in the primary manufacture or processing of ethanol.

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 Revenue  
Office of Administration  
Budget and Planning  
Department of Agriculture  
Department of Natural Resources



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