

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 1964-01
Bill No.: SB 435
Subject: Motor Fuel; Taxation and Revenue - General
Type: Original
Date: March 14, 2017

Bill Summary: This proposal would subject propane fuel used to propel motor vehicles to a motor fuel tax.

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 | Less than \$100,000 to (Less than \$100,000) | Less than \$100,000 to (Less than \$100,000) | Less than \$100,000 to (Less than \$100,000) |
| Total Estimated Net Effect on <u>Other</u> State Funds | Less than \$100,000 to (Less than \$100,000) | Less than \$100,000 to (Less than \$100,000) | Less than \$100,000 to (Less than \$100,000) |

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 could have an unknown impact on Total State Revenues (TSR) and 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 eleven cents per gallon. Beginning January 1, 2025, the tax would be increased to seventeen 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 propane fueled, compressed natural gas, or liquefied natural gas motor vehicles fueled exclusively at a fueling station that collects state road tax.

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 would require updates to computer systems and forms to account for the changes at an estimated cost of \$148,392 (1,978 hours of IT consultants at \$75 per hour) in FY 2018. 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.

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

ASSUMPTION (continued)

Officials from the **Office of the Secretary of State (SOS)** noted 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 to their organization beyond its current appropriation.

Officials from the **Missouri Department of Agriculture** did not respond to our request for information but assumed a similar 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 a positive to negative impact less than \$100,000 to the State Highways and Transportation Department Fund for this proposal.

| | 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 | <u>(\$148,392)</u> | <u>\$0</u> | <u>\$0</u> |
| ESTIMATED NET EFFECT ON GENERAL REVENUE FUND | <u>(\$148,392)</u> | <u>\$0</u> | <u>\$0</u> |
| STATE HIGHWAYS AND TRANSPORTATION DEPARTMENT FUND | | | |
| | Less than \$100,000 to | Less than \$100,000 to | Less than \$100,000 to |
| <u>Revenue increase or reduction - Motor fuel taxes and fees</u> | <u>(Less than \$100,000)</u> | <u>(Less than \$100,000)</u> | <u>(Less than \$100,000)</u> |
| ESTIMATED NET EFFECT ON STATE HIGHWAYS AND TRANSPORTATION DEPARTMENT FUND | <u>Less than \$100,000 to (Less than \$100,000)</u> | <u>Less than \$100,000 to (Less than \$100,000)</u> | <u>Less than \$100,000 to (Less than \$100,000)</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 create a graduated tax system for propane fueled vehicles. Fuel tax at rates specified in the proposal would be collected and used for the same purposes as the current state road tax. Propane fueled vehicles could pay the tax or continue to use alternative fuel decals in lieu of paying the tax.

No fuel decal would be required for vehicles that fuel at stations collecting the new tax, but owners of vehicles with alternative fuel decals that choose to obtain fuel at stations where tax is collected would not be able to claim a refund.

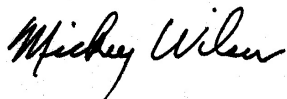
This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

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

Not responding:

Department of Agriculture



Mickey Wilson, CPA
Director
March 14, 2017

Ross Strope
Assistant Director
March 14, 2017