

LEGISLATIVE FISCAL OFFICE
Fiscal Note



Fiscal Note On: **HB 542** HLS 19RS 559

Bill Text Version: **ORIGINAL**

Opp. Chamb. Action:

Proposed Amd.:

Sub. Bill For.:

Date: May 19, 2019	5:09 PM	Author: CARTER, S.
Dept./Agy.: Revenue		Analyst: Benjamin Vincent
Subject: Gasoline & Special Fuels Tax; Sales Tax Dedications		

TAX/EXCISE OR -\$305,000,000 GF RV See Note Page 1 of 2
Increases the per gallon excise tax on gasoline, diesel, and certain special fuels and levies an excise tax on electric and hybrid vehicles

Proposed law dedicates 5/45^{ths} of the temporary sales and use tax levy in R.S. 47:321.1 to the Transportation Trust Fund (TTF) in FY21, gradually increases the dedication to 45/45^{ths} by FY25, and provides additional restrictions for its use. Proposed law reduces the gasoline and special fuels tax of \$0.16 per gallon to \$0.13 per gallon, gradually reduces it further to \$0.08 per gallon by FY26, and provides additional restrictions on its use within the Transportation Trust Fund (TTF). Proposed law implements an additional gasoline and special fuels tax of \$0.09 per gallon or gallon-equivalent (\$0.07 for diesel fuel) in FY21, and gradually increases it to \$0.26 per gallon (\$0.24 for diesel fuel) by FY32. Proposed law implements a tax of \$300 per electric vehicles and \$200 per hybrid-electric vehicle, to be assessed every two years upon registration or registration renewal, and dedicates the avails to the Construction Subfund of the TTF. Effective August 1, 2019.

EXPENDITURES	2019-20	2020-21	2021-22	2022-23	2023-24	5 -YEAR TOTAL
State Gen. Fd.	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	\$0
Ded./Other	INCREASE	INCREASE	INCREASE	INCREASE	INCREASE	
Federal Funds	\$0	\$0	\$0	\$0	\$0	\$0
Local Funds	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Annual Total						
REVENUES	2019-20	2020-21	2021-22	2022-23	2023-24	5 -YEAR TOTAL
State Gen. Fd.	\$0	(\$44,000,000)	(\$131,000,000)	(\$218,000,000)	(\$305,000,000)	(\$698,000,000)
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	\$0
Ded./Other	\$176,000,000	\$220,000,000	\$379,000,000	\$466,000,000	\$623,000,000	\$1,864,000,000
Federal Funds	\$0	\$0	\$0	\$0	\$0	\$0
Local Funds	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Annual Total	\$176,000,000	\$176,000,000	\$248,000,000	\$248,000,000	\$318,000,000	\$1,166,000,000

EXPENDITURE EXPLANATION

Proposed law allocates revenues raised to numerous types of projects and priorities, implying up to \$623 million in additional annual projects for which DOTD would be responsible for planning and oversight. Proposed law requires that all monies raised or dedicated from the temporary sales tax levy be appropriated solely for direct costs associated with actual project delivery, construction, and maintenance of infrastructure projects. Proposed law also specifies that beginning in FY26, the avails of the new fuels taxes shall not be used for employee healthcare, retirement, or other related benefits. Since traditional TTF revenues are being reduced by the bill, this prohibition implies that state general funds will have to support these costs (possibly some \$193 million of annual costs). State general fund support for DOTD operational costs may be required before this point as the traditional TTF revenue flow is reduced.

Proposed law also implements a new gasoline tax, diesel fuel tax, and special fuels tax. LDR will incur additional costs in the implementation and administration of the new tax. These tax administration costs have not been estimated at this point.

Additionally, the Office of Motor Vehicles will incur programming and administration costs to flag and track the number of electric and hybrid-electric vehicles, and collect the new annual taxes on those vehicles. These tax administration costs have not been estimated at this point.

REVENUE EXPLANATION

Proposed law dedicates an increasing portion of the temporary 0.45% sales tax levy to the TTF, and results in anticipated dedications of sales tax revenues of \$44 mil in FY21, \$131 mil in FY22, \$218 mil in FY23, \$305 mil in FY24, and \$392 mil in FY25 (the tax levy expires after FY25 under current law). The use of these monies is restricted to direct project delivery, construction, and maintenance costs.

Proposed law also gradually reduces existing gasoline and special fuels taxes, while implementing new, gradually-increasing taxes that are dedicated to the Construction Subfund of the TTF. The FY20 net impact for gasoline and special fuels is \$0.06 per gallon-equivalent, and the FY20 net impact for diesel fuels is \$0.04 per gallon. The impact on the rate for gasoline is \$0.02 larger than the net impact for diesel, for every year. The net impacts for each type of fuel by fiscal year are provided on page 2.

Proposed law additionally levies and dedicates an annual tax of \$200 on hybrid-electric vehicles and \$300 on electric vehicles in the state. Official data on the number of either type of vehicle in the state is not collected, however industry estimates suggest the combined total to be approximately 1,500. An assumption that each type of vehicle represents half of the total would imply that this provision could generate an additional \$375,000 annually.

The total anticipated revenue raised and dedicated to the Construction Subfund of the TTF due to new fuels taxes is \$176 mil in FY20 & FY21, \$248 mil in FY22 & FY23, and \$318 mil in FY24.

Senate Dual Referral Rules
 13.5.1 >= \$100,000 Annual Fiscal Cost {S & H}
 13.5.2 >= \$500,000 Annual Tax or Fee Change {S & H}

House
 6.8(F)(1) >= \$100,000 SGF Fiscal Cost {H & S}
 6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease {S}

Gregory V. Albrecht
Chief Economist

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CONTINUED EXPLANATION from page one:

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The net impact on the tax rate for gasoline and special fuels is a tax rate increase of \$0.06 in FY20 & FY21, \$0.08 in FY22 & FY23, \$0.10 in FY24 & FY25, \$0.12 in FY26 & FY27, \$0.14 in FY28 & FY29, \$0.16 in FY30 and FY31, and \$0.18 in FY32 & FY33.

The net impact on the tax rate on diesel will be a rate increase of \$0.04 in FY20 & FY21, \$0.06 in FY22 & FY23, \$0.08 in FY24 & FY25, \$0.10 in FY26 & FY27, \$0.12 in FY28 & FY29, \$0.14 in FY30 and FY31, and \$0.16 in FY32 & FY33.

Senate

Dual Referral Rules

House

13.5.1 >= \$100,000 Annual Fiscal Cost {S & H}

6.8(F)(1) >= \$100,000 SGF Fiscal Cost {H & S}

13.5.2 >= \$500,000 Annual Tax or Fee Change {S & H}

6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease {S}

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