

**LEGISLATIVE FISCAL OFFICE**  
**Fiscal Note**



Fiscal Note On: **HB 82** HLS 161ES 231  
 Bill Text Version: **ORIGINAL**  
 Opp. Chamb. Action:  
 Proposed Amd.:  
 Sub. Bill For.: **REVISED**

<b>Date:</b> February 21, 2016 2:09 PM	<b>Author:</b> STOKES
<b>Dept./Agy.:</b> Revenue Transportation	
<b>Subject:</b> Removes the sales tax exemption on fuels	<b>Analyst:</b> Deborah Vivien

TAX/TAXATION OR +\$90,800,000 SG RV See Note Page 1 of 1  
 (Constitutional Amendment) Provides with respect to limitations on sales and use tax including exclusions and exemptions (Item #36)

Current law constitutionally exempts gasoline, motor fuels and special fuels upon which excise tax has been paid from state and local sales tax. Any taxes on fuels are dedicated to the Transportation Trust Fund. Gasoline purchases are also statutorily exempt from all but 1% of state sales tax.

Proposed law amends the Constitution to remove the exemption from state sales tax on gasoline, motor fuels and special fuels up to \$2/gallon and retains the dedication of excise tax proceeds to the Transportation Trust Fund. Sales tax proceeds will flow to the general fund. According to the Department of Revenue, the exemption of 3% on gasoline remains in effect. Thus retail gasoline sales will be subject to 1% state sales tax and retail sales of diesel and special fuels will be subject to 4% state sales tax. Gasoline and diesel remain exempt from local sales tax. If the bill is enacted, the Constitutional amendment will be considered by the public on the November 8, 2016, ballot.

EXPENDITURES	<u>2016-17</u>	<u>2017-18</u>	<u>2018-19</u>	<u>2019-20</u>	<u>2020-21</u>	<u>5 -YEAR TOTAL</u>
State Gen. Fd.	\$0	\$0	\$0	\$0	\$0	\$0
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	\$0
Ded./Other	\$0	\$0	\$0	\$0	\$0	\$0
Federal Funds	\$0	\$0	\$0	\$0	\$0	\$0
Local Funds	\$0	\$0	\$0	\$0	\$0	\$0
<b>Annual Total</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

  

REVENUES	<u>2016-17</u>	<u>2017-18</u>	<u>2018-19</u>	<u>2019-20</u>	<u>2020-21</u>	<u>5 -YEAR TOTAL</u>
State Gen. Fd.	\$54,500,000	\$90,800,000	\$90,800,000	\$90,800,000	\$90,800,000	\$417,700,000
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	\$0
Ded./Other	\$0	\$0	\$0	\$0	\$0	\$0
Federal Funds	\$0	\$0	\$0	\$0	\$0	\$0
Local Funds	\$0	\$0	\$0	\$0	\$0	\$0
<b>Annual Total</b>	<b>\$54,500,000</b>	<b>\$90,800,000</b>	<b>\$90,800,000</b>	<b>\$90,800,000</b>	<b>\$90,800,000</b>	<b>\$417,700,000</b>

**EXPENDITURE EXPLANATION**

There is no anticipated direct material effect on governmental expenditures as a result of this measure. The Department indicates that any implementation costs will be absorbed in the current budget. Though the cost of this bill is minimal, the aggregate impact of all session bills may require additional resources.

**REVENUE EXPLANATION**

The bill contains a constitutional amendment that, after voter approval, would impose a sales tax upon motor fuels by removing the constitutional exemption from sales tax. According to the Department of Revenue, gasoline is statutorily exempt from 3% of state sales tax so would be subject to 1% sales tax, and undyed or highway diesel and special fuels would be subject to 4% state sales tax. All motor fuels taxes, including state excise and sales tax, will be dedicated to the Transportation Trust Fund per the Constitution.

In FY 15, the volumes reported from the excise tax were 2.3B gallons of gasoline, 0.8B gallons of highway diesel. Data for special fuels is unavailable since the volume-based tax only went into effect last month. Assuming prices of \$1.50/gallon for gasoline and \$2/gallon for special fuels, sales tax collections would increase by \$90.8M annually. The Transportation Trust Fund will receive all of the sales tax proceeds per the constitutional dedication of all taxes on motor fuels. With voter approval in November, it is assumed that the tax would be collected over about 7 months of FY 17 (60%) or \$54.5M and annually thereafter. The analysis is based on \$1.50/gallon gasoline. Any price increase up to \$2/gallon will increase the amount of sales tax generated.

In a manner similar to cigarettes and alcohol, the excise tax for fuel is collected at the wholesale level so presumably will be included in the base calculation of the sales tax at retail on fuel, according to the department.

This bill does not impact the taxable status of fuels exempt due to use for special purposes, such as farming.

<u>Senate</u>	<u>Dual Referral Rules</u>	<u>House</u>
<input type="checkbox"/> 13.5.1 >= \$100,000 Annual Fiscal Cost {S&H}	<input type="checkbox"/> 6.8(F)(1) >= \$100,000 SGF Fiscal Cost {H & S}	
<input checked="" type="checkbox"/> 13.5.2 >= \$500,000 Annual Tax or Fee Change {S&H}	<input type="checkbox"/> 6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease {S}	

*Gregory V. Albrecht*  
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**Chief Economist**