

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



Fiscal Note On: **HB 120** HLS 161ES 347  
 Bill Text Version: **ORIGINAL**  
 Opp. Chamb. Action:  
 Proposed Amd.:  
 Sub. Bill For.:

<b>Date:</b> February 24, 2016 1:24 PM	<b>Author:</b> STOKES
<b>Dept./Agy.:</b> Revenue	<b>Analyst:</b> Deborah Vivien
<b>Subject:</b> limits sales tax on motor fuels	

TAX/SALES-USE, STATE OR INCREASE GF RV See Note Page 1 of 1  
 Provides relative to the imposition of state sales tax on certain motor fuels (Items #9 and 36)

Current law 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. Dyed fuel is exempt from state sales tax.

Proposed law is contingent upon voter approval of HB 82 of 2016 ES1 which removes the constitutional exemption to tax sales of motor fuels. This bill removes the exemption from state sales tax on gasoline, diesel and special fuels up to \$2/gallon and retains the dedication of excise tax proceeds to the Transportation Trust Fund. Motor fuels priced under \$2/gallon will be taxed at 4%, including on the excise tax included in the price. Per HB 82, sales tax proceeds will flow to the general fund. If HB 82 is enacted, the Constitutional amendment will be considered by the public on the November 8, 2016, ballot.

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

  

<b>REVENUES</b>	<b>2016-17</b>	<b>2017-18</b>	<b>2018-19</b>	<b>2019-20</b>	<b>2020-21</b>	<b>5 -YEAR TOTAL</b>
State Gen. Fd.	INCREASE	INCREASE	INCREASE	INCREASE	INCREASE	
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Ded./Other	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Federal Funds	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Local Funds	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<b>\$0</b>
<b>Annual Total</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 authorizes a sales tax upon all motor fuels up to sale price of \$2/gallon by removing any statutory exemptions from state sales tax.

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 \$193.0M 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 \$115.8M 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. If the price exceeds \$2/gallon, these sales tax remittances could recede rapidly.

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.

The impact to dyed fuel is not clear without further analysis.

Senate Dual Referral Rules House

- |  |  |
|--|--|
| <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*  
**Gregory V. Albrecht**  
**Chief Economist**