



LEGISLATIVE FISCAL OFFICE
Fiscal Note

Fiscal Note On: **HB 84** HLS 161ES 237
 Bill Text Version: **ENGROSSED**
 Opp. Chamb. Action:
 Proposed Amd.:
 Sub. Bill For.:

Date: February 28, 2016 3:18 PM	Author: JACKSON
Dept./Agy.: Revenue Transportation	
Subject: Removes the sales tax exemption on fuels	Analyst: Deborah Vivien

TAX/SALES-USE-EXEMPT EG +\$90,800,000 GF RV See Note Page 1 of 1
 (Constitutional Amendment) Removes the prohibition against levying a state sales and use tax on the sale of gasoline (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 with excise tax proceeds remaining dedicated to the Transportation Trust Fund and sales tax proceeds flowing to the state 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	2016-17	2017-18	2018-19	2019-20	2020-21	5 -YEAR TOTAL
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
Annual Total	\$0	\$0	\$0	\$0	\$0	\$0
REVENUES	2016-17	2017-18	2018-19	2019-20	2020-21	5 -YEAR TOTAL
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
Annual Total	\$54,500,000	\$90,800,000	\$90,800,000	\$90,800,000	\$90,800,000	\$417,700,000

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 subject motor fuels motor fuels to sales tax 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. The existing excise tax would remain dedicated to the Transportation Trust Fund and the new sales tax proceeds would flow to the state general fund.

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 state general fund will receive all of the sales tax proceeds under the bill. 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. These figures are net of vendor compensation (\$860,000) and the LED Fund dedication (\$360,000).

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.

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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