



LEGISLATIVE FISCAL OFFICE
Fiscal Note

Fiscal Note On: **HB 777** HLS 15RS 1107
 Bill Text Version: **ENGROSSED**
 Opp. Chamb. Action:
 Proposed Amd.:
 Sub. Bill For.:

| | |
|----------------------------------|-------------------------------|
| Date: May 8, 2015 9:54 AM | Author: ST. GERMAIN |
| Dept./Agy.: Revenue | Analyst: Greg Albrecht |
| Subject: Motor Fuels Tax | |

TAX/GASOLINE TAX EG +\$300,000,000 SD RV See Note Page 1 of 1
 Increases the state excise tax on gasoline, diesel, and special fuels for ten years

Levies an additional 10¢ per gallon tax on motor fuels from July 1, 2015 to June 30, 2025.
 Effective upon governor's signature.

| EXPENDITURES | <u>2015-16</u> | <u>2016-17</u> | <u>2017-18</u> | <u>2018-19</u> | <u>2019-20</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 |
| Annual Total | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |

| REVENUES | <u>2015-16</u> | <u>2016-17</u> | <u>2017-18</u> | <u>2018-19</u> | <u>2019-20</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 | \$300,000,000 | \$300,000,000 | \$300,000,000 | \$300,000,000 | \$300,000,000 | \$1,500,000,000 |
| Federal Funds | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Local Funds | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Annual Total | \$300,000,000 | \$300,000,000 | \$300,000,000 | \$300,000,000 | \$300,000,000 | \$1,500,000,000 |

EXPENDITURE EXPLANATION

The Department of Revenue will incur costs to carry out the bill in the later part of the current fiscal year and will have costs each fiscal year. These costs are typically several thousands of dollars for changes such as this bill.

REVENUE EXPLANATION


The bill increases motor fuel taxes beginning July 1, 2015 by 10¢/gallon. If there were no consumer behavioral response at all, a 10¢/gallon tax increase would be expected to generate some \$307 million in FY16. Motor fuel consumption is fairly unresponsive to price changes in the short-run, it is currently a low price environment for motor fuel prices, and this is a tax rate increase that would increase that average price by only about 4%.

However, the new total tax rate (30¢/gallon) would place the Louisiana tax higher than all three of the surrounding states (18¢ in Mississippi, 22¢ in Arkansas, 20¢ in Texas). Thus, some shifting in buying locations, to the extent it is convenient to do so, is likely to occur resulting in a smaller revenue gain than the simple average yield calculation would suggest.

Typical estimates of the short-run responsiveness of gasoline consumption to price changes are about a 2.6% consumption drop for a 10% price hike. In the long-term of a year or more the responsiveness is greater, around 6% - 7% drop for a 10% permanent price hike. However, the responsiveness to a price increase in a single state, not accompanied by comparable increases in surrounding states, is very likely greater than these estimates in both the short-run and long-run. Utilizing the low range of the long-run estimates as a proxy for that likely greater short-run responsiveness (adjusted for only a 4% price increase) results in an estimate of FY16 revenue gain of as much as \$300 million.

These additional motor fuels tax receipts would flow into the transportation Trust Fund.

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| <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 type="checkbox"/> 6.8(F)(2) >= \$500,000 Rev. Red. to State {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} | |


John D. Carpenter
 Legislative Fiscal Officer