

LEGISLATIVE FISCAL OFFICE
Fiscal Note



Fiscal Note On: **SB 271** SLS 15RS 503

Bill Text Version: **ENROLLED**

Opp. Chamb. Action:

Proposed Amd.:

Sub. Bill For.:

Date: June 10, 2015	10:36 AM	Author: WHITE
Dept./Agy.: Departments of Revenue & Agriculture & Forestry		Analyst: Alan M. Boxberger
Subject: Provides for equivalency of the special fuels tax with gas tax		

TAX/TAXATION

EN +\$6,000,000 SD RV See Note

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Provides for equivalency of the special fuels tax with the gasoline tax on motor vehicles that operate on the highways using liquefied natural gas, liquefied petroleum gas, or compressed natural gas. (8/1/15)

Present law provides for taxation of special fuels - including compressed natural gas, liquified natural gas and liquified petroleum gas - sold, used or consumed in Louisiana for the operation of motor vehicles licensed or required to be licensed for highway use at the rate of 16 cents per gallon; provides that the 16 cent per gallon tax does not apply to those same gases sold to, delivered to, or used by any person who pays the annual fuel tax levied under other provisions of present law. Proposed law deletes the exception allowing for an annual fuel tax; provides for determinations of a special fuel's energy content in relation to a gallon of gasoline or diesel beginning 1/1/16 at specified conversion rates; provides for licensing of persons utilizing, delivering or selling the special fuels; requirements for collection of the per-gallon tax; application, suspension, cancellation and revocation of licenses; bond requirements; returns, payments, credits, refunds, fines, penalties and interest; records retention and inspection; investigative and enforcement authority; authorization for search and seizure; authorizes the Commissioner of Agriculture to assist the Department of Revenue in collecting the taxes, interest or penalties; reduces certain deductions and discounts; and requires promulgation of relevant rules pursuant to the Administrative Procedure Act to provide procedures and processes for the orderly regulation and enforcement of law governing taxation of specified gases. Effective 7/1/15.

EXPENDITURES	2015-16	2016-17	2017-18	2018-19	2019-20	5 -YEAR TOTAL
State Gen. Fd.	INCREASE	INCREASE	INCREASE	INCREASE	INCREASE	
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	\$0
Ded./Other	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	
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	2015-16	2016-17	2017-18	2018-19	2019-20	5 -YEAR TOTAL
State Gen. Fd.	\$0	\$0	\$0	\$0	\$0	\$0
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	\$0
Ded./Other	\$6,000,000	\$6,000,000	\$6,000,000	\$6,000,000	\$6,000,000	\$30,000,000
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	\$6,000,000	\$6,000,000	\$6,000,000	\$6,000,000	\$6,000,000	\$30,000,000

EXPENDITURE EXPLANATION

Louisiana Department of Revenue - LDR estimates it will realize a one-time expenditure of approximately \$432,000 SGF as a result of proposed law, requiring the department to incur programming, testing and system development costs. LDR will be required to identify affected taxpayers, provide for payments and deposits, establish enforcement and monitoring functions, and update and create new filing forms. Additional indeterminable, recurring expenditures may be required for ongoing monitoring and enforcement activities. This is a substantial cost estimate that may not occur at this level, but the bill does require a new tax collection process, and associated costs are likely to be greater than the typical costs associated with minor routine changes in tax law and procedure.

Louisiana Department of Agriculture and Forestry - LDAF reports that it will realize an indeterminable increase in SGF expenditures as a result of proposed law. LDAF reports that proposed law does not provide material guidance with regard to specific expectations related to its role outside of directing the department to assist LDR with the collection of taxes, interest or penalties due. LDAF reports it anticipates the need for a minimum of one additional employee with the qualifications of an auditor (salary and related benefits of an Auditor 1 is approximately \$62,000 annually), if its duties were to involve actual tax collection enforcement.

CONTINUED ON PAGE 2

REVENUE EXPLANATION

Proposed law reduces the discounts for timely filing and remittance of motor fuels tax that is currently allowed to suppliers and distributors/importers of gasoline, diesel and special fuels. Proposed law reduces the allowable administrative discount for suppliers or permissive suppliers from 1.5% to 0.5%. Proposed law reduces the allowable discount for fuel delivered to a purchaser with a valid distributor or importer license from 1% to 0.33%. The Revenue Dept. estimates the proposed reductions to allowable discounts will result in a fuels tax revenue increase of approximately \$6M to the Transportation Trust Fund.

Proposed law will likely result in an indeterminable increase in fuels tax collections to be deposited into the Transportation Trust Fund from the conversion of the taxation basis for CNG and LPG. The Louisiana Department of Revenue (LDR) reports that it is unable to reasonably assess the potential revenue impact associated with proposed law.

Vehicles propelled by compressed natural gas, liquefied natural gas or liquefied petroleum gas currently pay either a flat fee or mileage based, statutorily-defined tax for special decals on an annual basis dependent upon the weight and type of the vehicle (see page 2).

CONTINUED ON PAGE 2

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|--|----------------------------|--------------|--|
| <u>Senate</u> | <u>Dual Referral Rules</u> | <u>House</u> | <input checked="" type="checkbox"/> 6.8(F)(1) >= \$100,000 SGF Fiscal Cost {H & S} |
| <input checked="" type="checkbox"/> 13.5.1 >= \$100,000 Annual Fiscal Cost {S&H} | | | <input type="checkbox"/> 6.8(F)(2) >= \$500,000 Rev. Red. to State {H & S} |
| <input 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} |

Evan Brasseaux
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Staff Director

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CONTINUED EXPLANATION from page one:

EXPENDITURE EXPLANATION CONTINUED FROM PAGE 1

Parish Transportation Fund - Proposed law provides that the owner of any school bus, including school-boards, used to transport Louisiana students and propelled by one of the affected gases shall pay the tax levied but shall be entitled to a tax credit equal to 50% of the taxes paid. Proposed law provides that reimbursement paid in association with this tax credit shall be paid from each applicable parish's allocation from the Parish Transportation Fund, which will in turn reallocate a portion of that parish's funds used for the Parish Road Program or Mass Transit Program to pay for tax credit reimbursements.

REVENUE EXPLANATION CONTINUED FROM PAGE 1

Vehicles under 10,000 pounds are currently capped at a maximum annual tax of \$150. The degree to which there exists any underreporting of miles driven by operators of impacted vehicles, the state will realize an indeterminable tax revenue increase.

Vehicles over 10,000 pounds must currently pay a tax per gallon with a minimum annual of \$150. To the degree that these vehicles may drive fewer miles than necessary to generate \$150 of annual taxes, the state would realize an indeterminable tax revenue decrease. To the degree that there exists any degree of underreporting of miles driven by operators of impacted vehicles, the state will realize an indeterminable tax revenue increase.

Since the current system largely relies on self-reporting, it is likely to result in less tax revenue than would occur under a system that collects tax based on the actual volumes consumed. Thus, the bill is likely to result in greater tax collections than is currently occurring.

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

13.5.1 >= \$100,000 Annual Fiscal Cost {S&H} 6.8(F)(2) >= \$500,000 Rev. Red. to State {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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