

LEGISLATIVE FISCAL OFFICE
Fiscal Note



Fiscal Note On: **HB 121** HLS 161ES 251
 Bill Text Version: **ORIGINAL**
 Opp. Chamb. Action:
 Proposed Amd.:
 Sub. Bill For.:

Date: February 24, 2016 1:26 PM	Author: JACKSON
Dept./Agy.: Revenue	
Subject: limits sales tax on motor fuels	Analyst: Deborah Vivien

TAX/SALES-USE, STATE OR INCREASE SD 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. Gasoline purchases are also statutorily exempt from all but 1% of state sales tax.

Proposed law is contingent upon voter approval of HB 84 of 2016 ES1 which removes the exemption from state sales tax on motor fuels. This bill removes the exemption from state sales tax on gasoline, diesel and special fuels up to \$2/gallon. Proceeds of the sales tax are dedicated to the Transportation Trust Fund. All motor fuels will be subject to 4% state sales tax. If HB 84 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	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	\$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.	\$0	\$0	\$0	\$0	\$0	\$0
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	\$0
Ded./Other	INCREASE	INCREASE	INCREASE	INCREASE	INCREASE	
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>	\$0
Annual Total						

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. The tax is graduated based on a non-specific NYMEX oil price average from Oct-Dec of each year as determined by the Secretary of Revenue on January 1, beginning in 2017. If the calculated price is greater than \$60/barrel, motor fuels are exempt from state sales tax. Between \$40-59/barrel, motor fuels are taxed at 2% state sales tax. Less than \$40/barrel, motor fuels are taxed at 4% state sales tax.

Current oil prices are below \$40/barrel. This estimate is based on that price remaining over the 5 years of the fiscal note. However, that is unlikely. Maximum exposure to the state if purchases of motor fuel remain constant are estimated below.

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 \$35/barrel for some NYMEX oil price, 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.

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.

<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
Gregory V. Albrecht
Chief Economist