

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 3764-01  
Bill No.: SB 739  
Subject: Agriculture and Animals; Motor Fuel; Taxation and Revenue - Sales & Use.  
Type: Original  
Date: December 27, 2005

---

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>			
<b>FUND AFFECTED</b>	<b>FY 2007</b>	<b>FY 2008</b>	<b>FY 2009</b>
General Revenue	(\$94,675)	(\$113,610)	(\$113,610)
<b>Total Estimated Net Effect on General Revenue Fund</b>	<b>(\$94,675)</b>	<b>(\$113,610)</b>	<b>(\$113,610)</b>

<b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2007</b>	<b>FY 2008</b>	<b>FY 2009</b>
Various State Funds	(\$38,658)	(\$46,390)	(\$46,390)
<b>Total Estimated Net Effect on <u>Other</u> State Funds</b>	<b>(\$38,658)</b>	<b>(\$46,390)</b>	<b>(\$46,390)</b>

Numbers within parentheses: ( ) indicate costs or losses.  
This fiscal note contains 5 pages.

<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2007</b>	<b>FY 2008</b>	<b>FY 2009</b>
<b>Total Estimated Net Effect on <u>All</u> Federal Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

<b>ESTIMATED NET EFFECT ON LOCAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2007</b>	<b>FY 2008</b>	<b>FY 2009</b>
<b>Local Government</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

**FISCAL ANALYSIS**

**ASSUMPTION**

Officials from the **Department of Agriculture** assume this proposal will not fiscally impact their agency.

Officials from the **Department of Transportation (MoDOT)** state under current law, an exemption from local sales tax is permitted for half of the purchase amount of diesel fuel used solely for agricultural purposes. This legislation completely exempts purchases of diesel fuel for agricultural purposes from local sales taxes. Because the use of the diesel fuel is intended solely for agricultural purposes and not for transportation on the public highways of the state, this fuel, even if taxed, would not produce state revenues derived from highway users. MoDOT assumes, therefore, the proposal would not fiscally impact their agency.

Officials from the **Department of Revenue (DOR)** state during FY 2005, the department collected approximately \$160,000 in sales taxes (state only) on refunds of diesel fuel sold for agriculture purposes. This amount would be exempted under this legislation. DOR estimates a loss to the General Revenue fund of \$160,000 in all three fiscal years. DOR states the local sales tax on this fuel is not collected, therefore, the proposal would not fiscally impact the local governments.

ASSUMPTION (continued)

Officials from the **Office of Administration - Budget and Planning (BAP)** states that the proposal would not fiscally impact their agency. BAP states the Department of Revenue estimates that \$160,000 was collected in diesel fuel taxes in FY 2005. BAP assumes a similar amount would be collected in FY 2006. Therefore, BAP assumes a loss to general revenue resulting from this proposal.

Officials from **Jasper County** assume the proposal would not fiscally impact their county.

In response to a similar proposal from this year (SB 744), officials from the **City of Kansas City** assumed the proposal would have no adverse or beneficial fiscal impact on the city.

In response to a similar proposal from this year (SB 744), officials from **Jefferson County** assume the proposal would have a minimum fiscal impact to their county

**Oversight** assumes there will be 10/12ths of a year of fiscal impact in FY 2007 with an effective date of August 28, 2006. Oversight assumes the \$160,000 in annual sales taxes that will no longer be collected as a result of this proposal will be divided between the four funds that comprise the state sales tax as shown below.

<u>Fund</u>		<u>Percentage of rate</u>	<u>Percentage of \$160,000</u>
General Revenue	3.000%	71%	\$113,610
School District Trust Fund	1.000%	24%	\$ 37,870
Parks and Soils	.100%	2%	\$ 3,790
Conservation	.125%	3%	\$ 4,730
	4.225%	100%	\$160,000

**This proposal will reduce Total State Revenues.**

<u>FISCAL IMPACT - State Government</u>	FY 2007 (10 Mo.)	FY 2008	FY 2009
<b>GENERAL REVENUE</b>			
<u>Loss</u> - sales tax revenue from exemption of diesel fuel used for agricultural purposes	<u>(\$94,675)</u>	<u>(\$113,610)</u>	<u>(\$113,610)</u>
<b>ESTIMATED NET EFFECT TO THE GENERAL REVENUE FUND</b>	<b><u>(\$94,675)</u></b>	<b><u>(\$113,610)</u></b>	<b><u>(\$113,610)</u></b>

<u>FISCAL IMPACT - State Government</u> (continued)	FY 2007 (10 Mo.)	FY 2008	FY 2009
--	---------------------	---------	---------

**VARIOUS STATE FUNDS**

<u>Loss</u> - sales tax revenue from exemption of diesel fuel used for agricultural purposes	<u>(\$38,658)</u>	<u>(\$46,390)</u>	<u>(\$46,390)</u>
--	-------------------	-------------------	-------------------

**ESTIMATED NET EFFECT TO  
VARIOUS STATE FUNDS**

	<u>(\$38,658)</u>	<u>(\$46,390)</u>	<u>(\$46,390)</u>
--	-------------------	-------------------	-------------------

<u>FISCAL IMPACT - Local Government</u>	FY 2007 (10 Mo.)	FY 2008	FY 2009
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

Small farming or agricultural businesses could see a savings in diesel fuel sales taxes as a result of this proposal.

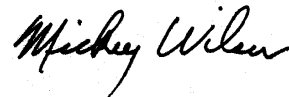
DESCRIPTION

Under current law, one half of the purchase price for diesel fuel used for exclusively agricultural and other farm purposes is exempted from sales tax. This proposal exempts the entire purchase price for diesel fuel used for exclusively agricultural and other farm purposes.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Department of Agriculture  
Office of Administration - Budget and Planning  
Department of Revenue  
Department of Transportation  
Jasper County  
City of Kansas City  
Jefferson County



Mickey Wilson, CPA  
Director  
December 27, 2005