

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 0494-01
Bill No.: SB 48
Subject: Agriculture Department; Motor Fuel
Type: Original
Date: March 6, 2007

Bill Summary: This proposal reduces the tax on E-85 fuel.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2008	FY 2009	FY 2010
Total Estimated Net Effect on General Revenue Fund	\$0	\$0	\$0

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2008	FY 2009	FY 2010
Road Fund	(\$2,115,096)	(\$2,563,496)	(\$2,589,131)
Total Estimated Net Effect on <u>Other</u> State Funds	(\$2,115,096)	(\$2,563,496)	(\$2,589,131)

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

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2008	FY 2009	FY 2010
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2008	FY 2009	FY 2010
Total Estimated Net Effect on FTE	0	0	0

- Estimated Total Net Effect on All funds expected to exceed \$100,000 savings or (cost).
- Estimated Net Effect on General Revenue Fund expected to exceed \$100,000 (cost).

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2008	FY 2009	FY 2010
Local Government	(\$906,470)	(\$1,098,642)	(\$1,109,628)

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Office of Administration's Budget and Planning (BAP)** state the proposed legislation should not result in additional costs or savings to the BAP.

This proposal would create a special motor fuel tax rate of twelve cents per gallon for E-85. Currently, the state's general motor fuel tax rate of seventeen cents per gallon applies to all motor fuels used or consumed in the state, including E-85. The Department of Revenue should be consulted for an estimate of the proposed special motor fuel tax rate's impact on state motor fuel tax revenues.

Officials from the **Missouri Department of Transportation (MoDOT)** state an average of 1.45 billion gallons of gasohol from 2004 and 2005 were used, and 5% of gasohol gallons are E-85. The MoDOT anticipates a loss of \$2.1 million in FY 08 and \$2.6 million in FY 09 and FY 10. The MoDOT also estimates a loss of \$453,235 in FY 08, \$549,321 in FY 09, and \$554,814 in FY 10 to cities. Missouri counties can be expected to see a loss of \$453,235 in FY 08, \$549,321 in FY 09, and \$554,814 in FY 10.

Officials from the **Department of Revenue (DOR)** state the proposal decreases the regular motor fuel rate which is currently 17 cents per gallon. Extensive programming changes will need to be made to the fuel tax system (FACS) to account for the tax rate change. This will impact almost the entire current FACS system. However, the proposal should not provide an FTE impact on the DOR, Division of Taxation.

Officials from the **Office of Administration - Information Technology Services (ITSD DOR)** estimate the information technology portion of this proposal can be accomplished within existing resources (\$4,186 using existing staff).

Officials at the **St. Louis County** assume a savings of less than \$100 per year.

<u>FISCAL IMPACT - State Government</u>	FY 2008 (10 Mo.)	FY 2009	FY 2010
ROAD FUND			
<u>Loss - Road Fund</u>			
Motor Fuel Tax	<u>(\$2,115,096)</u>	<u>(\$2,563,496)</u>	<u>(\$2,589,131)</u>
ESTIMATED NET EFFECT ON ROAD FUND	<u>(\$2,115,096)</u>	<u>(\$2,563,496)</u>	<u>(\$2,589,131)</u>

<u>FISCAL IMPACT - Local Government</u>	FY 2008 (10 Mo.)	FY 2009	FY 2010
LOCAL FUNDS			
<u>Loss - Cities</u>			
Motor Fuel Tax	(\$453,235)	(\$549,321)	(\$554,814)
<u>Loss - Counties</u>			
Motor Fuel Tax	<u>(\$453,235)</u>	<u>(\$549,321)</u>	<u>(\$554,814)</u>
ESTIMATED NET EFFECT ON LOCAL FUNDS	<u>(\$906,470)</u>	<u>(\$1,098,642)</u>	<u>(\$1,109,628)</u>

FISCAL IMPACT - Small Business

If small businesses sell E-85 fuel, they would be responsible for the collection and remittance of the tax separately from regular motor fuel. Those small businesses purchasing E-85 fuel would benefit from the reduced tax rate. The estimated impact is unknown.

FISCAL DESCRIPTION

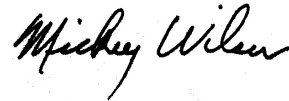
The proposal defines E85 fuel. The tax rate on E85 fuel used or consumed in the state is lowered from 17 cents per gallon to 12 cents per gallon.

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

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SOURCES OF INFORMATION

Office of Administration -
 Budget and Planning
 Information Technology Service
Missouri Department of Transportation
Department of Revenue
St. Louis County

A handwritten signature in black ink that reads "Mickey Wilson". The signature is written in a cursive style with a large, prominent initial "M".

Mickey Wilson, CPA
Director
March 6, 2007