

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 4763-01  
Bill No.: SB 623  
Subject: Motor Fuel; Taxation and Revenue - General; Transportation  
Type: Original  
Date: January 8, 2016

---

Bill Summary: This proposal raises the tax on motor fuel by one and one-half cents per gallon and three and one-half cents per gallon for diesel fuel beginning on October 1, 2016.

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>			
<b>FUND AFFECTED</b>	<b>FY 2017</b>	<b>FY 2018</b>	<b>FY 2019</b>
General Revenue	(\$90,072)	\$0	\$0
<b>Total Estimated Net Effect on General Revenue</b>	<b>(\$90,072)</b>	<b>\$0</b>	<b>\$0</b>

<b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2017</b>	<b>FY 2018</b>	<b>FY 2019</b>
Road Fund	\$41,854,483	\$55,805,977	\$55,805,977
<b>Total Estimated Net Effect on Other State Funds</b>	<b>\$41,854,483</b>	<b>\$55,805,977</b>	<b>\$55,805,977</b>

Numbers within parentheses: ( ) indicate costs or losses.

This fiscal note contains 6 pages.

<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2017</b>	<b>FY 2018</b>	<b>FY 2019</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 FULL TIME EQUIVALENT (FTE)</b>			
<b>FUND AFFECTED</b>	<b>FY 2017</b>	<b>FY 2018</b>	<b>FY 2019</b>
<b>Total Estimated Net Effect on FTE</b>	<b>0</b>	<b>0</b>	<b>0</b>

Estimated Net Effect (expenditures or reduced revenues) expected to exceed \$100,000 in any Of the three fiscal years after implementation of the act.

<b>ESTIMATED NET EFFECT ON LOCAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2017</b>	<b>FY 2018</b>	<b>FY 2019</b>
<b>Local Government</b>	<b>\$17,937,634</b>	<b>\$23,916,846</b>	<b>\$23,916,846</b>

## FISCAL ANALYSIS

### ASSUMPTION

Officials from the **Office of Administration - Office of Budget and Planning (B&P)** assume this proposal increases the gasoline fuel tax by \$0.015 and the diesel fuel tax by \$0.035 starting on October 1, 2016. Based on FY `15 gasoline fuel tax collections of \$511.1M, B&P estimates that 3,006.7M gallons of gasoline were taxed. Based on FY `15 diesel fuel tax collections of \$189.6M, B&P estimates there were 1,115.2M gallons of diesel were taxed. Using these estimates, B&P calculates that an increase of \$0.015 on the gasoline fuel tax will generate \$45.1M in revenue and an increase of \$0.035 on the diesel tax will generate \$39.0M in revenue.

Based on these calculations, B&P estimates the increased taxes will generate \$43.9M in new state revenue in FY17 and \$58.6M in FY18 and thereafter. The increased tax will also raise local funds of \$19.2M in FY17 and \$25.6M in FY18 and thereafter, and will impact the calculation under Article X, Section 18(e).

Officials from **Department of Transportation (MoDOT)** assume this proposal would increase the motor fuel tax on gasoline and gasohol by 1.5 cents per gallon and motor fuel tax on diesel by 3.5 cents per gallon.

### Fiscal Impact

<u>Yield from Increasing Gas Tax</u>	<u>1.5-Cents</u>
State (70%)	\$31,811,740
Cities (15%)	\$6,816,801
<u>Counties (15%)</u>	<u>\$6,816,801</u>
Total	\$45,445,342

<u>Yield from Increasing Diesel Tax</u>	<u>3.5-Cents</u>
State (70%)	\$23,994,237
Cities (15%)	\$5,141,622
<u>Counties (15%)</u>	<u>\$5,141,622</u>
Total	\$34,277,481

<u>Total Yield from Increasing Motor Fuel Tax</u>	
State (70%)	\$55,805,977
Cities (15%)	\$11,958,423
<u>Counties (15%)</u>	<u>\$11,958,423</u>
Total	\$79,722,823

ASSUMPTION (continued)

Officials from the **Department of Revenue (DOR)** assume that beginning October 1, 2016, the proposed legislation increases the motor fuel tax from 17 cents ((\$.17) to 18 and one-half cents (\$.185) per gallon. Also beginning October 1, 2016, the legislation increases the tax on diesel fuel from 17 cents ((\$.17) to 20 and one-half cents (\$0.205) per gallon.

Officials from the DOR deferred to the MoDOT for the estimated impact to Total State Revenue.

DOR officials assumed the rate change would require new forms and programming. DOR officials stated many consumers apply for non-highway use refunds of the motor fuel tax creating instances of claims being made at different tax rates, and assume this would require programming changes to the motor fuel tax system with an estimated cost of \$90,072 (OA-ITSD 1,200.96 hours @ \$75 per hour).

DOR officials assumed the rate change would require one additional Revenue Processing Technician I (Range 10, Step L) for processing refunds.

IT impact

**Oversight** assumes DOR is provided with core funding to handle a certain amount of activity each year. Oversight assumes DOR could absorb some of the costs related to this proposal and will reflect a cost of \$90,072 for IT expenses.

For purposes of this fiscal note, **Oversight** will use the Department of Transportation's estimated amount of revenue generated from the motor fuel tax. Because this proposal becomes effective on October 1, 2016, Oversight will use a 9 months revenue generated for fiscal year 2017.

<u>FISCAL IMPACT - State Government</u>	FY 2017 (9 Mo.)	FY 2018	FY 2019
<b>GENERAL REVENUE</b>			
<u>Cost</u> - DOR administrative cost to implement changes	<u>(\$90,072)</u>	<u>\$0</u>	<u>\$0</u>
<b>ESTIMATED NET EFFECT TO THE GENERAL REVENUE FUND</b>	<b><u>(\$90,072)</u></b>	<b><u>\$0</u></b>	<b><u>\$0</u></b>
<b>ROAD FUND</b>			
<u>Revenue</u> - Increased motor fuel tax (70%)	<u>\$41,854,483</u>	<u>\$55,805,977</u>	<u>\$55,805,977</u>
<b>ESTIMATED NET EFFECT TO THE HIGHWAY FUND</b>	<b><u>\$41,854,483</u></b>	<b><u>\$55,805,977</u></b>	<b><u>\$55,805,977</u></b>
<u>FISCAL IMPACT - Local Government</u>	FY 2017 (9 Mo.)	FY 2018	FY 2019
<b>LOCAL POLITICAL SUBDIVISIONS</b>			
<u>Revenue</u> - Cities (15%) Increased Motor Fuel Tax	\$8,968,817	\$11,958,423	\$11,958,423
<u>Revenue</u> - Counties (15%) Increased Motor Fuel Tax	<u>\$8,968,817</u>	<u>\$11,958,423</u>	<u>\$11,958,423</u>
<b>ESTIMATED NET EFFECT TO LOCAL POLITICAL SUBDIVISIONS</b>	<b><u>\$17,937,634</u></b>	<b><u>\$23,916,846</u></b>	<b><u>\$23,916,846</u></b>
<u>FISCAL IMPACT - Small Business</u>			

Small businesses that purchase fuel would be impacted by this proposal.

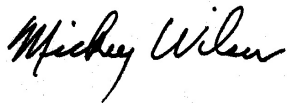
FISCAL DESCRIPTION

This proposal raises the tax on motor fuels beginning October 1, 2016. The tax on motor fuels other than diesel fuel will be raised by 1.5 cents per gallon to 18.8 cents per gallon. The tax on diesel fuel will be raised by 3.5 cents per gallon to 20.8 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.

SOURCES OF INFORMATION

Department of Transportation  
Office of Administration  
Division of Budget and Planning  
Department of Revenue



Mickey Wilson, CPA  
Director  
January 8, 2016

Ross Strobe  
Assistant Director  
January 8, 2016