

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 4963-01
Bill No.: SB 734
Subject: Taxation and Revenue - General, Motor Fuel
Type: Original
Date: January 2, 2018

Bill Summary: This proposal increases the motor fuel tax from \$0.17 a gallon to \$0.27 a gallon.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2019	FY 2020	FY 2021
Total Estimated Net Effect on General Revenue	\$0	\$0	\$0

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2019	FY 2020	FY 2021
State Road Fund	\$152,403,143	\$305,002,782	\$305,002,417
Total Estimated Net Effect on <u>Other</u> State Funds	\$152,403,143	\$305,002,782	\$305,002,417

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 6 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2019	FY 2020	FY 2021
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2019	FY 2020	FY 2021
State Road Fund	1 FTE	1 FTE	1 FTE
Total Estimated Net Effect on FTE	1 FTE	1 FTE	1 FTE

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

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2019	FY 2020	FY 2021
Local Government	\$56,413,140	\$112,826,280	\$112,826,280

FISCAL ANALYSIS

ASSUMPTION

§142.803 Motor Fuel Tax

Officials at the **Office of Administration Division of Budget and Planning (B&P)** assume this proposal increases the motor fuel (gasoline and diesel) tax by \$0.10 starting in tax year 2019. Based on FY 2017 motor fuel tax collections of \$715.0 million, B&P estimates that 4,205.9 million gallons of motor fuel were taxed.

Therefore, B&P estimates the increased motor fuel tax will generate \$146.4 million in new state revenue (State Road Fund) in FY 2019 and \$292.8 million in FY 2020 and thereafter. The increased tax will also raise local funds of \$63.9 million in FY 2019 and \$127.8 million in FY 2020 and thereafter.

This proposal will impact the calculation under Article X, Section 18(e) and is likely to exceed the limit and require the proposal be sent to a vote of the people.

Officials at the **Department of Revenue (DOR)** assume that beginning January 1, 2019, this proposed legislation increases the tax on motor fuel to twenty-seven cents per gallon. This may increase state revenues by an estimated \$285.4 million when fully implemented in FY 2020. This was figured by using MODOT's 2016 number for total gallons sold of an estimated 4.1 billion gallons. This may also increase local revenues by an estimated \$124.6 million once fully implemented in FY 2020.

DOR will require form changes and programming to implement the provisions of this legislation. The programming changes are estimated to cost \$75,168 (\$75 hour x 1,002.24 hours). The Excise Tax Section will require one Revenue Processing Technician I (26,340) to review the increased number of motor fuel refund claims. In addition, the Department must notify 450 distributors and suppliers of the increase in fuel tax at a cost of \$250 (450 notices x \$.555 postage).

Officials at the **Missouri Department of Transportation** defer to the Department of Revenue for fiscal impact.

Oversight notes this portion of the proposal would increase the motor fuel tax from \$0.17 per gallon to \$0.27 per gallon starting January 1, 2019 (FY 2019). This chart shows the amount of tax collected and number of gallons sold on motor fuel each of the last five fiscal years.

ASSUMPTION (continued)

	FY 2016	FY 2015	FY 2014	FY 2013	FY 2012
Motor Fuel Tax Collected	\$726,918,660	\$704,792,974	\$704,921,584	\$708,241,405	\$708,063,819
Gallons	4,270,109,765	4,145,841,024	4,146,597,553	4,166,125,912	4,165,081,288

Source: Department of Revenue

Oversight notes the five year average number of gallons of motor fuel sold is 4,178,751,108. Therefore the amount of increased revenue to the state from the \$0.10 cents increase would be \$417,875,111 (4,178,751,108 x .10) annually to the Motor Fuel Tax Fund (673). Oversight notes that per the Department of Revenue, the money in the Motor Fuel Tax Fund is distributed 12% to counties, 15% to cities and the remaining 73% to the State Road Fund. Therefore, \$305,048,831 in FY 2020 will go to the State Road Fund while \$112,826,280 will go to the cities (\$62,681,267) and counties (\$50,145,013). However, this proposal would begin January 1, 2019 and for simplicity of the fiscal note, Oversight will show only half the proposed revenue in FY 2019.

<u>FISCAL IMPACT - State Government</u>	FY 2019 (6 Mo.)	FY 2020	FY 2021
STATE ROAD FUND			
<u>Additional Revenue</u> - increase in the motor fuel tax from 17 to 27 cents §142.803	\$152,524,415	\$305,048,831	\$305,048,831
<u>Cost - DOR</u>			
Personal Service	(\$21,950)	(\$26,603)	(\$26,869)
Fringe Benefits	(\$15,509)	(\$18,689)	(\$18,768)
Equipment & Expenses	(\$8,395)	(\$757)	(\$777)
Computer and Mailing Expenses	(\$75,418)	\$0	\$0
<u>Total Costs - DOR</u>	<u>(\$121,272)</u>	<u>(\$46,049)</u>	<u>(\$46,414)</u>
FTE Change - DOR	1 FTE	1 FTE	1 FTE
 ESTIMATED NET EFFECT ON THE STATE ROAD FUND	 <u>\$152,403,143</u>	 <u>\$305,002,782</u>	 <u>\$305,002,417</u>
 Estimated Net FTE Change on the State Road Fund	 1 FTE	 1 FTE	 1 FTE
 <u>FISCAL IMPACT - Local Government</u>			
	FY 2019 (6 Mo.)	FY 2020	FY 2021
LOCAL POLITICAL SUBDIVISION FUNDS			
<u>Additional Revenue</u> - Cities and Counties increase in the motor fuel tax from 17 to 27 cents §142.803	<u>\$56,413,140</u>	<u>\$112,826,280</u>	<u>\$112,826,280</u>
 ESTIMATED NET EFFECT ON LOCAL POLITICAL SUBDIVISION FUNDS	 <u>\$56,413,140</u>	 <u>\$112,826,280</u>	 <u>\$112,826,280</u>

FISCAL IMPACT - Small Business

Small businesses that purchase motor fuel may be negatively impacted.

FISCAL DESCRIPTION

Beginning January 1, 2019, this act increases the rate of tax on motor fuel from \$0.17/gallon to \$0.27/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 Revenue
Missouri Department of Transportation
Office of Administration
Division of Budget and Planning

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Acting Director
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