

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 1118S.01I
Bill No.: SB 253
Subject: Tax Credits; Motor Vehicles
Type: Original
Date: February 12, 2021

Bill Summary: This proposal would establish a tax credit for certain alternative fuel refueling properties.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2022	FY 2023	FY 2024
General Revenue Fund*	\$0	Less than or greater than (\$18,225,885)	Less than or greater than (\$18,225,885)
Total Estimated Net Effect on General Revenue	\$0	Less than or greater than (\$18,225,885)	Less than or greater than (\$18,225,885)

*Oversight's estimate is based on a similar program in Oklahoma, and then adjusted for Missouri's size difference.

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2022	FY 2023	FY 2024
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2022	FY 2023	FY 2024
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2022	FY 2023	FY 2024
Total Estimated Net Effect on FTE	0	0	0

- Estimated Net Effect (expenditures or reduced revenues) expected to exceed \$250,000 in any of the three fiscal years after implementation of the act or at full implementation of the act.
- Estimated Net Effect (savings or increased revenues) expected to exceed \$250,000 in any of the three fiscal years after implementation of the act or at full implementation of the act.

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2022	FY 2023	FY 2024
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Office of Administration – Budget & Planning Division (B&P)** state this proposed legislation would create a tax credit for taxpayers for costs incurred in purchasing or installing qualified clean-burning motor vehicle fuel property for all tax years after January 1, 2022.

The tax credit shall be equal to various proportions of the qualified clean-burning motor vehicle fuel property, dependent upon the type of property. The tax credit can also be claimed on motor vehicles purchased with qualified clean-burning motor vehicle fuel property installed by the manufacturer of the vehicle so long as no credit has already been claimed. The tax credit is **not** refundable but has a five year carry-forward.

B&P estimates that this proposed legislation could have a substantial negative impact on Total State Revenue (TSR) and General Revenue (GR) beginning in Fiscal Year 2023.

B&P does not have data on potential qualifying purchases in Missouri, but notes that a roughly similar [program in Oklahoma](#) reduced revenues \$7.9M in 2016. Conversely, this program may encourage other economic activity. B&P cannot estimate the induced revenues.

Officials from the **Missouri Department of Revenue (DOR)** state, for all tax years beginning on or after January 1, 2022, a taxpayer shall be allowed a tax credit against the taxpayer's state tax liability for costs incurred in purchasing or installing qualified clean-burning motor vehicle fuel property placed in service after December 31, 2021.

The tax credit **cannot** be refunded but can be carried forward up to five (5) years. DOR states, there are different credits, the carryforward provision is the same.

The tax credit is calculated as:

- For qualified clean-burning motor vehicle fuel property forty-five percent (45%) of the cost of the qualified clean-burning motor vehicle fuel property.
- For qualified clean-burning motor vehicle fuel property, a per-location credit of seventy-five percent (75%) of the cost of the qualified clean-burning motor vehicle fuel property.
- For qualified clean-burning motor vehicle fuel property a per-location credit of the lesser of fifty percent (50%) of the cost of the qualified clean-burning motor vehicle fuel property or two thousand five hundred dollars (\$2,500).

- In cases where a motor vehicle is purchased by a taxpayer with qualified clean-burning motor vehicle fuel property installed by the manufacturer of such motor vehicle and no credit has been claimed the taxpayer may claim a credit in an amount not exceeding the lesser of ten percent (10%) of the cost of the motor vehicle or one thousand five hundred dollars (1,500).

This tax credit begins January 1, 2022 and therefore, the first tax return claiming the credit would be filed starting January 1, 2023 (Fiscal Year 2023). DOR notes this tax credit does not have an annual or cumulative cap.

DOR does not have any information as to the number of vehicles or properties that would apply for this tax credit. The Missouri Department of Economic Development is to administer the program and may have information to calculate the impact.

DOR assumes an Unknown loss greater than \$100,000 to GR.

DOR anticipates the need for one (1) FTE Associate Customer Service Representative for every 6,000 tax credits redeemed, one (1) FTE Associate Customer Service Representative for every 4,000 tax credit transfers with CISCO phones and licenses, and one (1) FTE Associate Customer Service Representative for every 7,600 errors/correspondence generated.

Oversight notes the overall impact of this proposed legislation is unknown. For purposes of this fiscal note, Oversight assumes the Missouri Department of Revenue can absorb the administrative responsibilities of the tax credit program with existing resources. Should the tax credit program result in a significant increase in tax credit redemptions, transfers and/or errors/correspondence generated to justify additional FTE, the Missouri Department of Revenue may seek additional FTE through the appropriation process.

Oversight notes this proposed legislation would grant a tax credit to taxpayers, beginning January 1, 2022, for costs incurred in purchasing or installing qualified clean-burning motor vehicle fuel property placed in service after December 31, 2021.

Oversight notes a taxpayer must apply to the Missouri Department of Economic Development in order to receive the tax credit created.

The tax credit created shall be calculated as follows:

- For equipment installed to modify a motor vehicle which is propelled by gasoline or diesel fuel so that the vehicle may be propelled by a hydrogen fuel cell, compressed natural gas, liquefied natural gas, or liquefied petroleum gas, and for motor vehicles originally equipped so that the vehicle may be propelled by a hydrogen fuel cell, compressed natural gas, liquefied natural gas, or liquefied petroleum gas, the tax credit shall equal forty five percent (45%) of such costs.
- For property directly related to the delivery of compressed natural gas, liquefied natural gas or liquefied petroleum gas, or hydrogen, and for property that is a public access recharging system for motor vehicles propelled in whole or in part by electricity, the tax credit shall be a per-location credit of seventy five percent (75%) of such costs.
- For property which is directly related to the compression and delivery of natural gas from a private home or residence, for noncommercial purposes, into the fuel tank of a motor vehicle propelled by compressed natural gas, the tax credit shall be a per-location credit of the lesser of fifty percent (50%) of such costs or two thousand five hundred dollars (\$2,500).
- In cases where a motor vehicle is purchased by a taxpayer with a qualified clean-burning motor vehicle fuel property installed by the manufacturer of such motor vehicle and no credit has been claimed under this proposed legislation by any prior owner of such vehicle, and in which the taxpayer is unable or elects not to determine the exact basis which is attributable to such property, the taxpayer may claim a credit in the amount not to exceed the lesser of ten percent (10%) of the cost of the motor vehicle or one thousand five hundred dollars (\$1,500).

If the tax credit exceeds the taxpayer's state tax liability, the difference shall **not** be refunded to the taxpayer but may be carried forward to any subsequent taxable year not to exceed a total of five (5) years.

Oversight notes this proposed legislation is very similar to the State of Oklahoma's Credit for Investment In Clean-Burning Motor Vehicle Fuel Property Tax Credit, as it was administered prior January 1, 2020.

Based on [Oklahoma's State Tax Commission's Income Tax Credit Summary](#), for Tax Year 2019, the Credit for Investment In Clean-Burning Motor Fuel Property Tax Credit(s) amounted to \$11,117,790 with a total number of claimants equaling 472.

Oversight notes, per the Federal Reserve Bank of St. Louis, in 2020, [Oklahoma's population](#) is approximately sixty five percent (65%) of [Missouri's population](#).

Oversight notes, per the Federal Reserve Bank of St. Louis, for Quarter 3 of 2020, [Oklahoma's total personal income](#) was approximately sixty two percent (62%) of [Missouri's total personal income](#).

Oversight notes, per the Federal Reserve Bank of St. Louis, for Tax Year 2019, Oklahoma's state government tax collections for Individual Income Taxes were approximately fifty four percent (54%) of Missouri's state government tax collections for Individual Income Tax. Furthermore, Oklahoma's state government tax collections for Corporate Net Income Taxes were approximately eighty two percent (82%) of Missouri's state government tax collections from Corporate Net Income Taxes. Overall, [Oklahoma's state government tax collections](#) were approximately fifty six percent (56%) of [Missouri's state government tax collections](#).

Using an average of Oklahoma's proportional population, income, and tax collection(s) statistics, Oversight estimates Oklahoma's economic operations (as it relates to income and taxes) are approximately sixty one percent (61%) of Missouri's economic operations.

Thus, **Oversight** assumes Oklahoma's tax credit program could be operating at sixty one percent (61%) of what the same tax credit in Missouri would recognize should Missouri implement a very similar tax credit program.

Therefore, **Oversight** estimates the tax credit created under this proposed legislation could amount to \$18,225,885 (\$11,117,790 / 61%).

Oversight notes the tax credit program created would begin January 1, 2022. Tax Year 2022 tax returns would not be filed claiming the tax credit until after January 1, 2023 (Fiscal Year 2023).

For purposes of this fiscal note, **Oversight** will report a revenue reduction to GR equal to "less than or greater than" \$18,225,885 beginning in Fiscal Year 2023.

Oversight notes, while Oklahoma's tax credit program is very similar to this proposed legislation, and even though Oklahoma's tax credit statistics have been adjusted to the scale of Missouri, the actual impact recognized may be less than or greater than the amount estimated.

Oversight note the tax credit program created under this proposed legislation would sunset August 28, 2027, unless reauthorized by the General Assembly.

Officials from the **Office of the Secretary of State (SOS)** note many bills considered by the General Assembly include provisions allowing or requiring agencies to submit rules and regulations to implement the act. SOS is provided with core funding to handle a certain amount of normal activity resulting from each year's legislative session. The fiscal impact for this fiscal note to SOS for administrative rules is less than \$5,000. SOS recognizes that this is a small amount and does not expect that additional funding would be required to meet these costs. However, SOS also recognizes that many such bills may be passed by the General Assembly in a given year and that collectively the costs may be in excess of what SOS can sustain with SOS's

core budget. Therefore, SOS reserves the right to request funding for the cost of supporting administrative rules requirements should the need arise based on a review of the finally approved bills signed by the governor.

Oversight assumes the SOS could absorb the costs of printing and distributing regulations related to this proposed legislation. If multiple bills pass which require the printing and distribution of regulations at substantial costs, the SOS could request funding through the appropriations process.

Officials from the **Joint Committee on Administrative Rules** assume this proposal is not anticipated to cause a fiscal impact beyond its current appropriation.

Oversight assumes JCAR will be able to administer any rules from this proposed legislation with existing resources.

Officials from the **Missouri Department of Transportation** and the **Missouri Department of Natural Resources** do not anticipate this proposed legislation will cause a fiscal impact on their organization. Oversight does not have any information to the contrary. Therefore, Oversight will not report a fiscal impact for these organizations.

<u>FISCAL IMPACT –</u> <u>State Government</u>	FY 2022 (10 Mo.)	FY 2023	FY 2024
GENERAL REVENUE FUND			
<u>Revenue Reduction –</u> Section 135.1000 – Tax Credit For Costs Incurred In Purchasing Or Installing Clean- Burning Motor Vehicle Fuel Property	\$0	<u>Less than or greater than (\$18,225,885)</u>	<u>Less than or greater than (\$18,225,885)</u>
ESTIMATED NET EFFECT ON GENERAL REVENUE FUND	\$0	<u>Less than or greater than (\$18,225,885)</u>	<u>Less than or greater than (\$18,225,885)</u>

<u>FISCAL IMPACT – Local Government</u>	FY 2022 (10 Mo.)	FY 2023	FY 2024
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT – Small Business

This proposed legislation could positively impact any small business that would qualify for a tax credit created under this proposed legislation, as such small business could reduce or eliminate their state tax liability.

FISCAL DESCRIPTION

For all tax years beginning on or after January 1, 2022, this act authorizes a tax credit for costs incurred for purchasing or installing qualified clean-burning motor vehicle fuel property, as defined in the act, placed in service after December 31, 2021.

For equipment installed to modify a motor vehicle which is propelled by gasoline or diesel fuel so that the vehicle may be propelled by a hydrogen fuel cell, compressed natural gas, liquefied natural gas, or liquefied petroleum gas, and for motor vehicles originally equipped so that the vehicle may be propelled by a hydrogen fuel cell, compressed natural gas, liquefied natural gas, or liquefied petroleum gas, the tax credit shall equal 45% of such costs.

For property directly related to the delivery of compressed natural gas, liquefied natural gas or liquefied petroleum gas, or hydrogen, and for property that is a public access recharging system for motor vehicles propelled in whole or in part by electricity, the tax credit shall be a per-location credit of 75% of such costs.

For property which is directly related to the compression and delivery of natural gas from a private home or residence, for noncommercial purposes, into the fuel tank of a motor vehicle propelled by compressed natural gas, the tax credit shall be a per-location credit of the lesser of 50% of such costs or \$2,500.

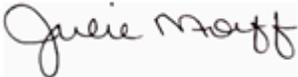
Tax credits issued under this act shall not be refundable, but may be carried forward to any of the five subsequent tax years.

This act will sunset on August 28, 2027, unless reauthorized by the General Assembly.

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

Office of Administration – Budget & Planning Division
Missouri Department of Natural Resources
Missouri Department of Revenue
Missouri Department of Transportation
Missouri Secretary of State’s Office
Joint Committee on Administrative Rules



Julie Morff
Director
February 12, 2021



Ross Strobe
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February 12, 2021