

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 1157-01
Bill No.: HB 323
Subject: Motor Fuel; Revenue Dept.; Taxation and Revenue - Sales and Use
Type: Original
Date: February 21, 2007

Bill Summary: Would exempt motor fuel used for agricultural purposes from sales and use taxes.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2008	FY 2009	FY 2010
General Revenue	(\$124,723)	(\$148,668)	(\$149,668)
Total Estimated Net Effect on General Revenue Fund	(\$124,723)	(\$148,668)	(\$149,668)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2008	FY 2009	FY 2010
Various	(\$50,943)	(\$61,132)	(\$61,132)
Total Estimated Net Effect on Other State Funds	(\$50,943)	(\$61,132)	(\$61,132)

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	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Department of Agriculture** assume this proposal would have no fiscal impact on their organization.

Officials from the **Department of Conservation** (MDC) assume this proposal would appear to have a negative fiscal impact on MDC funds since it appears to exempt motor fuel used for agricultural purposes from sales tax. MDC is unable to provide the estimated amount and will rely on the Department of Revenue for the fiscal impact of this legislation.

Officials from the **Department of Revenue** (DOR) assume the proposal would have no fiscal impact on their organization. DOR officials provided the following additional information:

During FY06 DOR collected approximately \$210,800 in sales tax (state only) on refunds of diesel fuel sold for agricultural purposes. This legislation would lessen the burden on the retailers, collecting sales tax. This would reduce the processing time for DOR personnel because we would no longer have to calculate the price per gallon or the sales tax on refunds for motor fuel.

Oversight assumes the reduction in DOR staff time required to process motor fuel refunds would be minimal.

Officials from the **Office of Administration, Division of Budget and Planning** (BAP), assume this proposal would exempt motor fuel used for agricultural purposes from sales and use tax. There should be no added cost to the Office of Administration/Budget and Planning as a result of this bill.

ASSUMPTION (continued)

Oversight assumes there would be 10/12ths of a year of fiscal impact in FY 2008 with an effective date of August 28, 2007. Oversight assumes the \$210,800 in annual sales taxes that will no longer be collected as a result of this proposal would be divided among the four funds that comprise the state sales tax as shown below.

<u>Fund</u>		<u>Percentage of rate</u>	<u>Percentage of \$210,800</u>
General Revenue	3.000%	71%	\$149,668
School District Trust Fund	1.000%	24%	\$ 50,592
Parks and Soils	.100%	2%	\$ 4,216
Conservation	.125%	3%	\$ 6,324
	4.225%	100%	\$210,800

This proposal would reduce Total State Revenues.

<u>FISCAL IMPACT - State Government</u>	FY 2008 (10 Mo.)	FY 2009	FY 2010
GENERAL REVENUE FUND			
<u>Loss - sales tax revenue from exemption of motor fuel used for agricultural purposes</u>	<u>(\$124,723)</u>	<u>(\$149,668)</u>	<u>(\$149,668)</u>
ESTIMATED NET EFFECT TO THE GENERAL REVENUE FUND	<u>(\$124,723)</u>	<u>(\$149,668)</u>	<u>(\$149,668)</u>
VARIOUS STATE FUNDS			
<u>Loss - sales tax revenue from exemption of motor fuel used for agricultural purposes</u>	<u>(\$50,943)</u>	<u>(\$61,132)</u>	<u>(\$61,132)</u>
ESTIMATED NET EFFECT TO VARIOUS STATE FUNDS	<u>(\$50,943)</u>	<u>(\$61,132)</u>	<u>(\$61,132)</u>

FISCAL IMPACT - Local Government

FY 2008
(10 Mo.)

FY 2009

FY 2010

\$0

\$0

\$0

FISCAL IMPACT - Small Business

This proposal would have a fiscal impact on small businesses involved in agriculture or motor fuel sales.

FISCAL DESCRIPTION

This proposal would exempt motor fuel used for agricultural purposes from sales and use taxes.

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
Division of Budget and Planning
Department of Agriculture
Department of Conservation
Department of Revenue



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Director
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