

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 5591-03
Bill No.: HCS for HB 1610
Subject: Motor Vehicles; Motor Fuel; Tax Credits
Type: Original
Date: February 12, 2014

Bill Summary: This proposal reauthorizes the alternative fuel tax credit for six years and adds electric vehicles recharging properties to the list of eligible properties.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2015	FY 2016	FY 2017
General Revenue	\$0	\$0 or (Up to \$1,000,000)	\$0 or (Up to \$1,000,000)
Total Estimated Net Effect on General Revenue Fund	\$0	\$0 or (Up to \$1,000,000)	\$0 or (Up to \$1,000,000)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2015	FY 2016	FY 2017
Blind Pension	(Unknown)	(Unknown)	(Unknown)
Total Estimated Net Effect on <u>Other</u> State Funds	(Unknown)	(Unknown)	(Unknown)

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

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2015	FY 2016	FY 2017
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2015	FY 2016	FY 2017
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 2015	FY 2016	FY 2017
Local Government	(Unknown)	(Unknown)	(Unknown)

FISCAL ANALYSIS

ASSUMPTION

§135.710 Alternative Fuel Station Tax Credit

Officials at the **Office of Administration's Division of Budget and Planning (BAP)** assume no fiscal impact from this proposal to BAP. This proposal renews and modifies the Alternative Fuel Station tax credit for tax years 2015 to 2020. The proposal also expands the list of qualifying properties to include certain electric vehicle recharging stations. The program is capped at \$1 million annually, and may therefore reduce General and Total State Revenues by this amount. BAP notes \$69,454 was redeemed under this program in FY 2012.

Officials at the **Department of Economic Development** assume the duties of this proposal would be covered by existing staff.

Officials at the **Department of Revenue** assume there is no fiscal impact from this proposal.

Officials at the **Department of Natural Resources** assume there is no fiscal impact from this proposal.

Oversight notes according to the Tax Credit Analysis submitted by the Department of Economic Development regarding this program, the Alternative Fuel Station tax credit program had the following activity;

	FY 2011	FY 2012	FY 2013
Amount Authorized	\$87,925	\$91,365	\$0
Amount Issued	\$87,925	\$91,365	\$0
Amount Redeemed	\$23,365	\$45,690	\$69,454

Oversight notes this credit began on August 28, 2008 for tax years starting January 1, 2009. The program required the alternative fuel stations to be built between January 1, 2009 and January 1, 2012 to qualify for the tax credit. This program has a sunset date that requires it to end on August 28, 2014.

Oversight assumes this proposal reauthorizes the Alternative Fuel tax credit. This credit will begin with tax years starting January 1, 2015 and therefore the Fiscal Years impacted would be 2016 and 2017. Oversight assumes this proposal places a \$1 million cap on this proposal and therefore, Oversight will show the loss of revenue to the State as \$0 (no credits issued) or Up to \$1 million.

ASSUMPTION (continued)

§137.010 Taxation Definitions

Officials at the **BAP** assume this proposal adds certain equipment for the storage of certain propane or LP products to the definition of "real property". BAP notes this may lower the ratio used to calculate the assessed value of property. To the extent that local political subdivisions cannot adjust levies to make up any reduced revenues, this may result in lower local revenues, including revenues for school districts. The State Tax Commission may be able to provide additional information.

Oversight assumes this part of the proposal adds "propane or LP gas equipment" to the list of items that are considered to be real property. They are currently considered personal property. Changing from personal property to real property will reduce the assessment ratio causing a loss of assessed valuation, which in turn will reduce local government revenue. Additionally, it will result in a loss of $\frac{1}{2}$ of 1% of the local government revenue reduction to the Blind Pension Fund. At this time it is unknown how much equipment qualifies for this reclassification and therefore it is unknown how large the loss of revenue to local government and the Blind Pension Fund would be. Oversight will reflect an Unknown loss for local governments and the Blind Pension Fund.

Oversight notes, any estimate of revenue losses due to a reduction in the assessed valuation for specific items should be considered in the context of current state limitations on local government tax revenues. Based on our review of property tax rate information developed by the Office of the State Auditor, Oversight has determined that many local governments would be able to compensate for a reduction in assessed valuation by increasing tax rates within existing tax rate ceilings.

<u>FISCAL IMPACT - State Government</u>	FY 2015 (10 Mo.)	FY 2016	FY 2017
GENERAL REVENUE			
<u>Revenue Reduction</u> - extension of the alternative fuel tax credit	<u>\$0</u>	\$0 or (Up to <u>\$1,000,000</u>)	\$0 or (Up to <u>\$1,000,000</u>)
ESTIMATED NET EFFECT ON GENERAL REVENUE	<u>\$0</u>	<u>\$0 or (Up to \$1,000,000)</u>	<u>\$0 or (Up to \$1,000,000)</u>
BLIND PENSION FUND			
<u>Revenue Reduction</u> - Blind Pension - changing from personal tax to real property tax	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
ESTIMATED NET EFFECT ON BLIND PENSION FUND	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
<u>FISCAL IMPACT - Local Government</u>	FY 2015 (10 Mo.)	FY 2016	FY 2017
LOCAL GOVERNMENT FUNDS			
<u>Revenue Reduction</u> - Local Governments from changing from personal tax to real property tax	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
ESTIMATED NET EFFECT ON LOCAL GOVERNMENT FUNDS	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
<u>FISCAL IMPACT - Small Business</u>			

Small businesses the build alternative fuel stations may be positively impacted.

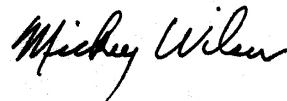
FISCAL DESCRIPTION

This legislation reauthorizes the alternative fuel tax credit for six years and adds electric vehicles recharging properties to the list of eligible properties.

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 Economic Development
Department of Natural Resources
Department of Revenue
Office of Administration
Division of Budget and Planning



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February 12, 2014

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February 12, 2014