

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 5806-01  
Bill No.: HB 2184  
Subject: Motor Fuel; Tax Credits; Taxation and Revenue - Sales and Use  
Type: Original  
Date: March 31, 2014

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Bill Summary: This proposal would change the laws regarding alternative fuels.

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>			
<b>FUND AFFECTED</b>	<b>FY 2015</b>	<b>FY 2016</b>	<b>FY 2017</b>
General Revenue	(Less than \$100,000)	\$0	\$0
<b>Total Estimated Net Effect on General Revenue Fund</b>	<b>(Less than \$100,000)</b>	<b>\$0</b>	<b>\$0</b>

<b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2015</b>	<b>FY 2016</b>	<b>FY 2017</b>
State Highways and Transportation Department	Unknown	Unknown	Unknown
<b>Total Estimated Net Effect on <u>Other</u> State Funds</b>	<b>Unknown</b>	<b>Unknown</b>	<b>Unknown</b>

Numbers within parentheses: ( ) indicate costs or losses.

This fiscal note contains 7 pages.

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

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2015	FY 2016	FY 2017
<b>Total Estimated Net Effect on FTE</b>	<b>0</b>	<b>0</b>	<b>0</b>

☐ 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
<b>Local Government</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

## FISCAL ANALYSIS

### ASSUMPTION

Officials from the **Office of the Secretary of State (SOS)** assume many bills considered by the General Assembly include provisions allowing or requiring agencies to submit rules and regulations to implement the act. The 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 the Secretary of State's Office for Administrative Rules is less than \$2,500. The SOS recognizes that this is a small amount and does not expect that additional funding would be required to meet these costs. However, we also recognize 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 our office can sustain with our core budget. Therefore, we reserve 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.

Officials from the **Joint Committee on Administrative Rules** assume that this proposal would not have a fiscal impact to their organization in excess of existing resources.

Officials from the **Office of Administration - Division of Budget and Planning (BAP)** assume this proposal would have a statewide impact and would have an impact on the calculation required under Article X, Section 18(e) of the Missouri Constitution.

BAP officials assume this proposal would expand the definition of qualifying fuels under the Alternative Fuel Refueling Property Tax Credit Program, and would extend the sunset on the program from 2014 to 2020. However, the underlying statutes do not allow the authorization of credits after taxable year 2011, and this proposal does not appear to modify these provisions. Therefore, while the expanded list of fuels might otherwise increase participation in the program, there would be no impact from this proposal.

BAP officials noted this proposal would create tax rates for natural gas, compressed natural gas and liquefied natural gas as a motor fuel, and would remove them from existing alternative fuel decal requirements. BAP officials assume this would increase motor fuel taxes, but stated they do not have data on the current or potential usage of these fuels.

ASSUMPTION (continued)

Officials from the **Department of Revenue (DOR)** did not respond to our request for information but noted similar language in HB 2141 LR 6404-01 would provide motor fuel taxes on Compressed Natural Gas fuel at five cents per gasoline gallon equivalent until December 31, 2019, then ten cents from January 1, 2020 until December 31, 2024, and fifteen cents after December 31, 2024. Motor fuel tax on Liquefied Natural Gas fuel would be five cents per diesel gallon equivalent until December 31, 2019, eleven cents from January 1, 2020 until December 31, 2024, and seventeen cents after December 31, 2024.

Fiscal impact

DOR officials stated because the Department does not currently track the number of gallons of Compressed Natural Gas and Liquefied Natural Gas sold, it is unclear whether this legislation would impact Total State Revenue.

Administrative impact

DOR officials assumed Excise Tax would be required to make programming changes to the motor fuel tax system to allow for two new fuel types. Conversion to gasoline and diesel equivalent gallons would need to be made either through system programming or through the use of some type of conversion schedule.

DOR officials noted the Department currently collects two fees, the agricultural inspection fee and the transport load fee. It is unclear if those two fees would apply to sales of Compressed Natural Gas (CNG) and Liquefied Natural Gas (LNG). If one or both do not apply, then additional programming would be needed to exempt those products.

DOR officials also noted changes would need to be made to motor fuel forms, and additional forms would be needed. Letters would need to be sent out to approximately 750 licensees informing them each time the rate changes, and additional companies would be required to register for a motor fuel tax license and file with the Department. DOR officials estimated postage costs would be (750 licensees x \$0.555 per mailer) = \$416.

**Oversight** assumes the notifications to existing licensees would be included with regular licensee communications from DOR and will not include any mailing cost in this fiscal note. Oversight notes DOR did not include any administrative costs other than mailing and assumes any other administrative costs are minimal and could be absorbed with existing resources.

ASSUMPTION (continued)

IT impact

DOR officials provided an estimate of the IT cost to implement this proposal of \$56,020 based on 2,052 hours of programming to make changes to DOR systems.

**Oversight** notes the DOR comments above indicate additional programming could be required for fees related to motor fuels and will include an unknown cost less than \$100,000 in this fiscal note for programming.

Officials from the **Department of Transportation** deferred to the Department of Revenue for an estimate of the fiscal impact of similar language in HB 2141 LR 6404-01.

Officials from the **Department of Agriculture**, the **Department of Economic Development**, and the **Department of Natural Resources** assume this proposal would have no fiscal impact on their organizations.

**Oversight** assumes the creation of a motor fuel tax system for compressed and liquified natural gas would increase motor fuel tax revenues over the current permit fee system but does not have any information as to the amount of motor fuel tax which could be generated.

**Oversight** notes the additional Motor Fuel Tax revenues would be distributed to the State Highways and Transportation Department Fund in this proposal.

<u>FISCAL IMPACT - State Government</u>	FY 2015 (10 Mo.)	FY 2016	FY 2017
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**GENERAL REVENUE FUND**

<u>Cost - DOR</u>	(Less than		
IT changes for motor fuel tax system	<u>\$100,000)</u>	<u>\$0</u>	<u>\$0</u>

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>	<b>(Less than <u>\$100,000)</u></b>	<b><u>\$0</u></b>	<b><u>\$0</u></b>
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**STATE HIGHWAYS AND  
TRANSPORTATION DEPARTMENT  
FUND**

<u>Additional revenue - DOR</u>			
Motor fuel tax on alternative fuels	<u>Unknown</u>	<u>Unknown</u>	<u>Unknown</u>

<b>ESTIMATED NET EFFECT ON STATE HIGHWAYS AND TRANSPORTATION DEPARTMENT FUND</b>	<b><u>Unknown</u></b>	<b><u>Unknown</u></b>	<b><u>Unknown</u></b>
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<u>FISCAL IMPACT - Local Government</u>	FY 2015 (10 Mo.)	FY 2016	FY 2017
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

This proposal could have a direct fiscal impact to small businesses which buy or sell compressed or liquified natural gas as a motor fuel.

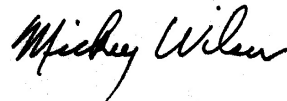
### FISCAL DESCRIPTION

This proposal would modify measurement standards and tax rates for compressed and liquefied natural gas as a motor fuel.

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 the Secretary of State  
Joint Committee on Administrative Rules  
Office of Administration  
    Division of Budget and Planning  
Department of Agriculture  
Department of Economic Development  
Department of Revenue  
Department of Transportation



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March 31, 2014

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