

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 5651-01
Bill No.: HB 2455
Subject: Motor Fuel; Tax Credits; Tax Incentives
Type: Original
Date: April 18, 2016

Bill Summary: This proposal authorizes a tax credit for retailers who sell motor fuel consisting of 15 to 50 percent ethanol.

FISCAL SUMMARY

| ESTIMATED NET EFFECT ON GENERAL REVENUE FUND | | | |
|------------------------------------------------------|----------------------|----------------------|----------------------|
| FUND AFFECTED | FY 2017 | FY 2018 | FY 2019 |
| General Revenue | (\$1,043,664) | (\$1,000,000) | (\$1,000,000) |
| Total Estimated Net Effect on General Revenue | (\$1,043,664) | (\$1,000,000) | (\$1,000,000) |

| ESTIMATED NET EFFECT ON OTHER STATE FUNDS | | | |
|---------------------------------------------------------------|----------------|----------------|----------------|
| FUND AFFECTED | FY 2017 | FY 2018 | FY 2019 |
| | | | |
| | | | |
| Total Estimated Net Effect on <u>Other</u> State Funds | \$0 | \$0 | \$0 |

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 5 pages.

| ESTIMATED NET EFFECT ON FEDERAL FUNDS | | | |
|---------------------------------------------------------------|----------------|----------------|----------------|
| FUND AFFECTED | FY 2017 | FY 2018 | FY 2019 |
| | | | |
| | | | |
| Total Estimated Net Effect on <u>All</u> Federal Funds | \$0 | \$0 | \$0 |

| ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE) | | | |
|-----------------------------------------------------------|----------------|----------------|----------------|
| FUND AFFECTED | FY 2017 | FY 2018 | FY 2019 |
| | | | |
| | | | |
| Total Estimated Net Effect on FTE | 0 | 0 | 0 |

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 2017 | FY 2018 | FY 2019 |
| Local Government | \$0 | \$0 | \$0 |

FISCAL ANALYSIS

ASSUMPTION

Oversight was unable to receive some of the agency responses in a timely manner due to the short fiscal note request time. Oversight has presented this fiscal note on the best current information that we have or on prior year information regarding a similar bill. Upon the receipt of agency responses, Oversight will review to determine if an updated fiscal note should be prepared and seek the necessary approval of the chairperson of the Joint Committee on Legislative Research to publish a new fiscal note

§135.720 Ethanol blended fuel tax credit:

Officials from the **Department of Revenue (DOR)** assume that effective January 1, 2017, the proposal allows an eligible taxpayer who sells ethanol blended fuel, and abides by the rules and regulations of the DOR a credit in the amount of:

Three cents per gallon for ethanol-blended fuel sold after December 31st of the preceding tax year and before June 1st of the tax year;

Ten cents per gallon for ethanol-blended fuel sold after May 31st and before September 16th of the tax year; and

Three cents a gallon for ethanol-blended fuel sold after September 15th of the tax year and before January 1st of the following tax year.

The aggregate amount of credit authorized by this legislation cannot exceed \$1 million per calendar year. The proposal allows for a refund of the credit but it cannot be sold, transferred, or assigned. The provisions of subsection 5 grant rule making authority to the DOR and subsection 6 sets an expiration date of December 31, 2024.

Administrative Impact:

The **DOR** assumes forms and programming changes will occur in order to implement the provisions of the proposal.

Personal Tax requires one (1) Revenue Processing Technician I (\$44,420) per every 6,000 credits claimed.

Corporate Tax requires one (1) Revenue Procession Technician I (\$44,420) per every 6,000 credits claimed.

ASSUMPTION (continued)

Collections & Tax Assistance requires two (2) Tax Collection Technician I (\$44,420), one for every additional 15,000 contacts annually on the non-delinquent tax line and one for every 15,000 contacts annually on the delinquent tax line.

Each technician requires (CARES) equipment and license.

The **DOR** assumes it will require updates to the Integrated Tax system at a cost of \$43,664, and **Oversight** will include the IT cost in this fiscal note.

Oversight assumes DOR could absorb the responsibilities of this tax credit with existing resources. Should DOR experience processing costs to justify additional FTE, they could seek those FTE through the appropriation process.

| <u>FISCAL IMPACT - State Government</u> | FY 2017 (10 Mo.) | FY 2018 | FY 2019 |
|-------------------------------------------------------------|-----------------------------|-----------------------------|-----------------------------|
| GENERAL REVENUE FUND | | | |
| <u>Cost - DOR</u> | | | |
| \$135.720 | | | |
| IT cost | (\$43,664) | \$0 | \$0 |
| <u>Revenue reduction</u> | | | |
| \$135.720 Fuel Tax Credit | <u>(\$1,000,000)</u> | <u>(\$1,000,000)</u> | <u>(\$1,000,000)</u> |
| ESTIMATED NET EFFECT TO THE GENERAL REVENUE FUND | <u>(\$1,043,664)</u> | <u>(\$1,000,000)</u> | <u>(\$1,000,000)</u> |
| | | | |
| <u>FISCAL IMPACT - Local Government</u> | FY 2017 (10 Mo.) | FY 2018 | FY 2019 |
| | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> |

FISCAL IMPACT - Small Business

This proposal could have a positive direct fiscal impact to small businesses who qualify as a retail dealer who sells ethanol blended fuels.

FISCAL DESCRIPTION

Beginning January 1, 2017, the proposal authorizes an income tax credit for every gallon of ethanol-blended fuel sold by a retail dealer. The amount of the credit is equal to \$0.03 per gallon sold after December 31 and before June 1 and after September 15 and before January 1. The amount of the credit is \$0.10 per gallon sold after May 31 and before September 16 unless the Environmental Protection Agency changes the gasoline Reid vapor pressure regulations so that commercial gasoline volatility requirements are the same year-round and do not differentiate between months and the credit would be equal to \$0.03 per gallon.

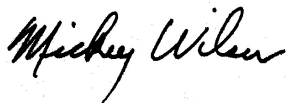
The total amount of tax credits issued cannot exceed \$1 million per calendar year and will be issued on a first-come, first-served basis. The credit is refundable, but cannot be sold, transferred, or assigned.

The provisions of the bill will expire on December 31 six years after the effective date.

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



Mickey Wilson, CPA
Director
April 18, 2016

Ross Strobe
Assistant Director
April 18, 2016