

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 0687H.011  
 Bill No.: HB 519  
 Subject: Taxation and Revenue - General; Motor Fuel; Taxation and Revenue - Sales and Use; Tax Incentives; Transportation; Department of Revenue  
 Type: Original  
 Date: February 14, 2023

Bill Summary: This proposal modifies provisions relating to motor fuel tax exemption.

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>				
FUND AFFECTED	FY 2024	FY 2025	FY 2026	Fully Implemented (FY 2027)
<b>Total Estimated Net Effect on General Revenue</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

<b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>				
FUND AFFECTED	FY 2024	FY 2025	FY 2026	Fully Implemented (FY 2027)
State Road Fund*	(\$513,112 to \$12,821,146)	(\$171,037 to \$4,273,715)	(\$171,037 to \$4,273,715)	\$0
<b>Total Estimated Net Effect on Other State Funds</b>	<b>(\$513,112 to \$12,821,146)</b>	<b>(\$171,037 to \$4,273,715)</b>	<b>(\$171,037 to \$4,273,715)</b>	<b>\$0</b>

\*Fiscal impact is due to timing of when motor fuel tax refunds are processed. This proposal changes the motor fuel tax refunds from a fiscal year basis to a calendar year basis, pushing forward into a different fiscal year some of the refund requests (this coupled with the incremental increase in the motor fuel tax increases drives the fiscal impact). By FY 2027, Oversight assumes the net timing differences will end (last gas tax increase starts on July 1, 2025) and there will be no fiscal impact beyond FY 2026.

Numbers within parentheses: () indicate costs or losses.

<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>				
FUND AFFECTED	FY 2024	FY 2025	FY 2026	Fully Implemented (FY 2027)
<b>Total Estimated Net Effect on <u>All</u> Federal Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

<b>ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)</b>				
FUND AFFECTED	FY 2024	FY 2025	FY 2026	Fully Implemented (FY 2027)
<b>Total Estimated Net Effect on FTE</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>\$0</b>

- 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.

<b>ESTIMATED NET EFFECT ON LOCAL FUNDS</b>				
FUND AFFECTED	FY 2024	FY 2025	FY 2026	Fully Implemented (FY 2027)
<b>Local Government</b>	<b>(\$189,781 to \$4,742,068)</b>	<b>(\$63,261 to \$1,580,690)</b>	<b>(\$63,261 to \$1,580,690)</b>	<b>\$0</b>

## FISCAL ANALYSIS

### ASSUMPTION

Officials from the **Department of Revenue (DOR)** assume the following regarding this proposal:

#### Motor Fuel Refund Period Change

SB 262 adopted in 2021, created a provision that would increase the motor fuel tax rate over a period of five years. At the time, motor fuel (gasoline and diesel) were taxed at \$0.17 per gallon. SB 262 would allow the motor fuel rate to increase each year on July 1st until the highest rate of \$0.295 was reached. At that time, the motor fuel rate would remain \$0.295 into the future.

The rate is currently increasing as follows:

<b>FY Tax Rate</b>	<b>Refund Can Be Claimed (July to Sept)</b>	<b>Tax Increase</b>	<b>Total Motor Fuel Tax</b>	<b>Fully Implemented (FY FY 2027)</b>
FY 2022	FY 2023	\$0.025	\$0.195	
FY 2023	FY 2024	\$0.05	\$0.220	
FY 2024	FY 2025	\$0.075	\$0.245	
FY 2025	FY 2026	\$0.1	\$0.270	
FY 2026+	FY 2027+	\$0.125	\$0.295	\$0

SB 262 also contained a provision that created a refund program for highway users who did not want to pay the increased motor fuel rate. While they would still be required to pay the tax at the fuel pump they could request from DOR that the increased amount be refunded to them. The refund period was established starting July 1- Sept 30th of the following fiscal year. Since the rate hike is for the full fiscal year (July to June) the refund period also covered that same fiscal year. In order to receive the refund a taxpayer completes a form with the statutorily required information and the extra motor fuel tax is refunded.

This proposal changes the refund period. Instead of claiming the credit from July to Sept after the fiscal year ends, this proposal moves the refund period to January 1st to April 15th of each year. Filing at this time of year, will result in refund claim forms having 2 separate motor fuel rates on them. This will start on January 1, 2024.

Timing of Refund Claims

Date of Purchase	Fuel Tax Rate	Current Refund Timing		Proposed Refund Timing	
		Date	Fiscal Year	Date	Fiscal Year
10/2021 - 12/2021	\$0.025	7/2022 - 9/2022	FY 2023	7/2022 - 9/2022	FY 2023
1/2022 - 6/2022	\$0.025	7/2022 - 9/2022	FY 2023	7/2022 - 9/2022	FY 2023
7/2022 - 12/2022	\$0.050	7/2023 - 9/2023	FY 2024	1/2023 - 4/2023	FY 2024
1/2023 - 6/2023	\$0.050	7/2023 - 9/2023	FY 2024	7/2023 - 9/2023	FY 2024
7/2023 - 12/2023	\$0.075	7/2024 - 9/2024	FY 2025	1/2024 - 4/2024	FY 2024
1/2024 - 6/2024	\$0.075	7/2024 - 9/2024	FY 2025	1/2025 - 4/2025	FY 2025
7/2024 - 12/2024	\$0.100	7/2025 - 9/2025	FY 2026	1/2025 - 4/2025	FY 2025
1/2025 - 6/2025	\$0.100	7/2025 - 9/2025	FY 2026	1/2026 - 4/2026	FY 2026
7/2025 - 12/2025	\$0.125	7/2026 - 9/2026	FY 2027	1/2026 - 4/2026	FY 2026
1/2026 - 6/2026	\$0.125	7/2026 - 9/2026	FY 2027	1/2027 - 4/2027	FY 2027
7/2026 - 12/2026	\$0.125	7/2027 - 9/2027	FY 2028	1/2027 - 4/2027	FY 2027

This proposal will not result in any additional gains or losses to the motor fuel funds than what was projected in SB 262. It changes the timing of the refunds and not who or how many taxpayers may qualify for the refund. So the impact below shows how much of the refunds will now shift to another fiscal year (refund period).

DOR notes that the first refund period was completed from July 2022 to September 2022 for the increase that occurred from October 1, 2021 to June 30, 2022. That increase was \$0.025. So it will not be impacted. DOR records indicate \$423,947 in refunds were claimed, while receiving an additional \$70,621,241 from the increased motor fuel rate. Therefore, DOR refunded approximately 0.6% ( $\$423,947/\$70,621,251$ ) of the additional revenue.

DOR has done revenue estimates for SB 262, that were updated using the FY 2022 motor fuel gallons sold data for this fiscal note. Additionally, for SB 262, DOR had assumed a low range of refunds at 15% (based on another state with a similar program). DOR assumes that given the increasing price of the fuel tax and current economic conditions, more than the 0.6% refunds currently requested could be received in the upcoming fiscal years. For this fiscal note, DOR is showing the refund claims ranging from the current 0.6% to the 15% under SB 262 for the shift in the refund period.

Estimated Cash Flow Impact from Refund Claim Due to Date Timing

State Fund	FY 2024		FY 2025		FY 2026	
	Low	High	Low	High	Low	High
State Road Fund	(\$513,112)	(\$12,821,146)	(\$171,037)	(\$4,273,715)	(\$171,037)	(\$4,273,715)
<b>Local Funds</b>						
CART	(\$84,347)	(\$2,107,586)	(\$28,116)	(\$702,529)	(\$28,116)	(\$702,529)
Other	(\$105,434)	(\$2,634,482)	(\$35,145)	(\$878,161)	(\$35,145)	(\$878,161)
Total Local	(\$189,781)	(\$4,742,068)	(\$63,260)	(\$1,580,689)	(\$63,260)	(\$1,580,689)

This proposal will result in the Department needing to change the forms and the computer program to accept more than one tax rate at a time. This is estimated to cost **\$10,000**. Having more than one motor fuel tax rate on the refund claim form may slow down the processing of the forms. DOR needs one Associate Customer Service Representative (\$32,100) for every 6,000 claims processed at a single rate per year. Additionally, records indicate the average time to process a refund request was 19 days. If it is determined that additional FTE are needed to help process the refunds, DOR will seek those through the appropriation process.

Currently, taxpayers are allowed to submit these forms electronically or a hard copy mailed. Should the forms be mailed to DOR separate than their tax return, DOR assumes no additional impact. However, if a taxpayer mails their claim form with their individual income tax return, this could slow down the processing of the returns and require additional temporary staff (\$12,750) to help sort out those claim forms.

SB 262 requires all refund requests to be processed within 45 days or DOR must pay interest on the claim. If moving the deadline results in slower processing times, this could result in an unknown amount of interest being paid.

**Oversight** assumes DOR is provided with core funding to handle a certain amount of activity each year. Oversight assumes DOR could absorb the programming costs related to this proposal. If multiple bills pass which require additional staffing and duties at substantial costs, DOR could request funding through the appropriation process.

Officials from the **Office of Administration - Budget and Planning (B&P)** assume the following regarding this proposal:

This proposal would change the timing for motor fuel tax refund claims for the additional fuel tax passed in SB 262 (2021). Currently, motor fuel tax refund claims must be made on a fiscal year basis (July through June motor fuel tax purchases) and refund claims must be made between July 1 and September 30 of the following fiscal year.

This proposal would change the refund claims to tax year (January through December) with claims to be made from January 15 through April 15 of the tax year following the year in which the motor fuel purchases were made. Table 1 shows the change in the refund due date depending on when the motor fuel is purchased.

Table 1: Timing of Refund Claims

Date of Purchase	Fuel Tax Rate	Current Refund Timing		Proposed Refund Timing	
		Date	Fiscal Year	Date	Fiscal Year
10/2021 - 12/2021	\$0.025	7/2022 - 9/2022	FY 2024	7/2022 - 9/2022	FY 2024
1/2022 - 6/2022	\$0.025	7/2022 - 9/2022	FY 2024	7/2022 - 9/2022	FY 2024
7/2022 - 12/2022	\$0.050	7/2023 - 9/2023	FY 2025	1/2023 - 4/2023	FY 2024
1/2023 - 6/2023	\$0.050	7/2023 - 9/2023	FY 2025	1/2024 - 4/2024	FY 2025
7/2023 - 12/2023	\$0.075	7/2024 - 9/2024	FY 2026	1/2024 - 4/2024	FY 2025
1/2024 - 6/2024	\$0.075	7/2024 - 9/2024	FY 2026	1/2025 - 4/2025	FY 2026
7/2024 - 12/2024	\$0.100	7/2025 - 9/2025	FY 2026	1/2025 - 4/2025	FY 2026
1/2025 - 6/2025	\$0.100	7/2025 - 9/2025	FY 2026	1/2026 - 4/2026	FY 2026

7/2025 - 12/2025	\$0.125	7/2026 - 9/2026	FY 2027	1/2026 - 4/2026	FY 2026
1/2026 - 6/2026	\$0.125	7/2026 - 9/2026	FY 2027	1/2027 - 4/2027	FY 2027
7/2026 - 12/2026	\$0.125	7/2027 - 9/2027	FY 2028	1/2027 - 4/2027	FY 2027

B&P notes that this proposal would not change the number of taxpayers that qualify for the motor fuel tax refund, only the timing of the refund claims. Therefore, this proposal will not result in additional gains or losses beyond those already estimated in the TAFP fiscal note for SB 262 (2021).

The first round of refund claims were received between July 2022 and September 2022. B&P notes that the \$0.025 increase in the fuel tax during FY 2022 generated refund claims of \$423,947. Using the number of gallons sold, B&P estimates that the additional tax generated \$70,621,251 in additional motor fuel revenue. Therefore, B&P estimates that highway use refund claims were approximately 0.6% ( $\$423,947 / \$70,621,251$ ) of the additional fuel tax revenue.

However, as the fuel tax increases over the remaining years, it is likely that fuel tax refunds will also increase. Therefore, based on this new information, B&P has updated the refund estimates for SB 262 (2021). B&P will show refund claims ranging between 0.6% and 15% of the additional revenue generated.

While this proposal will not increase the overall number of refunds, this proposal will have a cash flow impact in FY 2024 through FY 2026 for all state and local fuel tax funds by moving some motor fuel refund claims into an earlier fiscal year. Using updated refund estimates for SB 262 (2021), B&P estimates that this proposal could increase refunds by \$702,893 to \$17,563,213 in FY 2024, depending on the number of qualifying taxpayers that make refund claims. In FY 2025 and FY 2026, refund claims may increase by \$234,298 to \$5,854,404 each year. There will no longer be a cash flow impact by FY 2027. Table 2 shows the estimated impacts by fund.

Table 2: Estimated Cash Flow Impact from Refund Claim Due Date Timing

State Fund	FY 2024		FY 2025		FY 2026	
	Low	High	Low	High	Low	High
State Road Fund	(\$513,112)	(\$12,821,146)	(\$171,037)	(\$4,273,715)	(\$171,037)	(\$4,273,715)
Local Funds						

CART	(\$84,347)	(\$2,107,586)	(\$28,116)	(\$702,529)	(\$28,116)	(\$702,529)
Other	(\$105,434)	(\$2,634,482)	(\$35,145)	(\$878,161)	(\$35,145)	(\$878,161)
Total Local	(\$189,781)	(\$4,742,068)	(\$63,261)	(\$1,580,690)	(\$63,261)	(\$1,580,690)

Officials from the **Missouri Department of Transportation** defer to the DOR for the potential fiscal impact of this proposal.

Officials from the **Missouri Highway Patrol, Missouri Department of Conservation and Office of Administration** each assume the proposal will have no fiscal impact on their respective organizations. **Oversight** does not have any information to the contrary. Therefore, Oversight will reflect a zero impact in the fiscal note for these agencies.

**Oversight** assumes this proposal will not increase or decrease revenue; rather, only the timing of the motor fuel tax refunds will change. Oversight will reflect the cash flow estimates as provided by DOR and B&P as the estimates have been updated to reflect the actual amount that was refunded (0.6%) in FY 2022. Oversight will range the cash flow impact as DOR and B&P have indicated (from a low of 0.6% (actual) to an estimated 15%). Oversight notes, once all of the tax increases have gone into effect, there will be no further fiscal impact due to cash flow changes.

<u>FISCAL IMPACT – State Government</u>	FY 2024 (10 Mo.)	FY 2025	FY 2026	FY 2027
<b>STATE ROAD FUND</b>				
Cash Flow – timing of the motor fuel tax refunds – moved up to CY instead of FY	(\$513,112 to \$12,821,146)	(\$171,037 to \$4,273,715)	(\$171,037 to \$4,273,715)	\$0
<b>ESTIMATED NET EFFECT ON THE STATE ROAD FUND</b>	<b>(\$513,112 to \$12,821,146)</b>	<b>(\$171,037 to \$4,273,715)</b>	<b>(\$171,037 to \$4,273,715)</b>	<b>\$0</b>

<u>FISCAL IMPACT – Local Government</u>	FY 2024 (10 Mo.)	FY 2025	FY 2026	FY 2027
<b>LOCAL POLITICAL SUBDIVISIONS</b>				



Cash Flow –timing of the motor fuel tax refunds	<u>(\$189,781 to \$4,742,068)</u>	<u>(\$63,261 to \$1,580,690)</u>	<u>(\$63,261 to \$1,580,690)</u>	<u>\$0</u>
<b>ESTIMATED NET EFFECT ON LOCAL POLITICAL SUBDIVISIONS</b>	<b><u>(\$189,781 to \$4,742,068)</u></b>	<b><u>(\$63,261 to \$1,580,690)</u></b>	<b><u>(\$63,261 to \$1,580,690)</u></b>	<b><u>\$0</u></b>

FISCAL IMPACT – Small Business

No direct fiscal impact to small businesses would be expected as a result of this proposal.

FISCAL DESCRIPTION

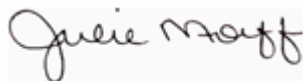
Currently, exemptions and refunds issued for any additional tax on motor fuel are based on a fiscal years. Beginning in fiscal year 2024, they will be based on the tax year.

This bill specifies that claims will be filed on or after January 15th but not later than April 15th after the close of the tax year for which the exemption and refund is claimed.

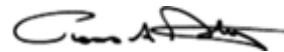
This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Department of Revenue  
 Office of Administration - Budget and Planning  
 Missouri Department of Transportation  
 Office of Administration  
 Missouri Department of Conservation  
 Missouri Highway Patrol



Julie Morff  
 Director  
 February 14, 2023



Ross Strobe  
 Assistant Director  
 February 14, 2023