

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 0687H.01P
 Bill No.: Perfected HB 519
 Subject: Taxation and Revenue - General; Motor Fuel; Taxation and Revenue - Sales and Use; Tax Incentives; Transportation; Department of Revenue
 Type: Original
 Date: March 29, 2023

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

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND				
FUND AFFECTED	FY 2024	FY 2025	FY 2026	Fully Implemented (FY 2027)
General Revenue	(\$106,809)	(\$115,334)	(\$127,132)	(\$136,001)
Total Estimated Net Effect on General Revenue	(\$106,809)	(\$115,334)	(\$127,132)	(\$136,001)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS				
FUND AFFECTED	FY 2024	FY 2025	FY 2026	Fully Implemented (FY 2027)
State Road Fund	Could exceed (\$95,186,004 to \$172,732,753)	Could exceed (\$150,961,122 to \$187,302,515)	Could exceed (\$168,484,856 to \$256,465,881)	Could exceed (\$193,575,687 to \$286,773,850)
Total Estimated Net Effect on Other State Funds	Could exceed (\$95,186,004 to \$172,732,753)	Could exceed (\$150,961,122 to \$187,302,515)	Could exceed (\$168,484,856 to \$256,465,881)	Could exceed (\$193,575,687 to \$286,773,850)

Numbers within parentheses: () indicate costs or losses.

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

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

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.

ESTIMATED NET EFFECT ON LOCAL FUNDS				
FUND AFFECTED	FY 2024	FY 2025	FY 2026	Fully Implemented (FY 2027)
Local Government	Could exceed (\$35,020,850 to \$63,702,525)	Could exceed (\$43,629,457 to \$69,276,274)	Could exceed (\$62,316,318 to \$94,857,245)	Could exceed (\$71,596,527 to \$106,067,081)

FISCAL ANALYSIS

ASSUMPTION

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

Motor Fuel Refund Period Change (§142.822.2)

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:

FY Tax Rate	Refund Can Be Claimed (July to Sept)	Tax Increase	Total Motor Fuel Tax	Fully Implemented (FY 2027)
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 part of the 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)
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)	(\$63,260)	(\$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 part of the 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 part of the 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)

Oversight assumes this part of the 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.

House Amendment 1

Officials from the **Department of Revenue (DOR)** assume the following regarding House Amendment 1:

Section 142.815, 142.822 & 142.824 Motor Fuel Refund given to Charity

Currently, taxpayers who purchase motor fuel for non-highway use (farms, boats) are allowed to claim a refund of the motor fuel tax they pay.

The taxpayer submits their receipts to the Department showing the gallons purchased with a refund request form. Once processed, the Department sends the taxpayer a refund of their motor fuel tax paid.

Starting October 1, 2023, this provision will allow the non-highway use taxpayer to provide their receipts to a federally qualified tax exempt entity (charity) who would claim the refund on the taxpayer's behalf. This is established as a way of donating money for the taxpayer to the charity. This provision then allows the taxpayer to receive a subtraction against their Missouri adjusted gross income of the amount donated. This subtraction is only allowed if the taxpayer does not claim the refund amount as a charitable contribution on their federal income tax form.

In FY 2022 the Department processed \$9,146,015 in non-highway refund claims. The motor fuel rate at the time started at \$0.17 per gallon and then increased to \$0.19 per gallon. DOR estimates that refund claims were made for 49,071,081 gallons.

SB 262 adopted in 2021, established an increasing motor fuel tax rate of \$0.025 per year until the rate increases \$0.12 per gallon for a total of \$0.295 per gallon. Accounting for the SB 262 increases, DOR estimates the total non-highway use refund claims could total \$14,468,143 by tax year 2026. The estimated amount of non-highway related motor fuel tax refunds through the implementation of SB 262 is:

Estimated Refunds by Year

Fiscal Year	Non-Highway Use Refunds
2023	\$10,788,751
2024	\$12,013,963
2025	\$13,242,931
2026	\$14,468,143
2027	\$14,468,143

The Department is unable to determine how many of these taxpayers will choose to donate their receipts to a charity and then claim the deduction. For fiscal note purposes, DOR will show the loss up to the total amount estimated to be refunded.

The Department notes that deductions do not reduce revenues on a dollar for dollar basis, but rather in proportion to the top tax rate applied. Therefore, DOR will show the estimated impact to general revenue from the deduction throughout the implementation of SB 262 and with the individual income tax rate reductions scheduled under SB 3 (2022).

Estimated Revenue Loss by Fiscal Year

Tax Rate	Tax Year (Fiscal Year)				
	2023 (FY24)	2024 (FY25)	2025 (FY26)	2026 (FY27)	2027 (FY 28)
4.95%	(\$534,043)	(\$594,691)	(\$655,525)	(\$716,173)	(\$716,173)
4.80%		(\$576,670)	(\$635,661)	(\$694,471)	(\$694,471)
4.70%			(\$622,418)	(\$680,003)	(\$680,003)
4.60%				(\$665,535)	(\$665,535)
4.50%					(\$651,066)

This is a new subtraction that would need to be added to the MO-A form. This would require computer programming changes, form changes and website changes. These changes are estimated to cost \$7,193. Additionally, this could result in additional errors and correspondence generated. Should the number of errors and correspondent justify the additional FTE, the Department will seek the additional FTE through the appropriation process.

- 1 FTE Associate Customer Service Representative (\$31,200) for every 14,700 errors created
- 1 FTE Associate Customer Service Representative for every 5,700 pieces of correspondence generated

Oversight assumes DOR is provided with core funding to handle a certain amount of activity each year. Oversight assumes DOR could absorb the programming and personnel 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. **For fiscal note purposes, Oversight will assume 20% of these refunds will be donated. Therefore, Oversight will use 20% of DOR’s estimates.**

DOR notes Section 142.822 will allow a taxpayer who purchases motor fuel for use on the highway to donate their increased motor fuel tax receipts to a charity. However, they are not granted a deduction for doing so.

Since the fiscal note for SB 262 assumed all eligible taxpayers would receive a refund of the increased motor fuel rate, and this proposal just changes who claims the refund, this is not expected to result in any additional fiscal impact from who claims the refund.

However, a person who donates to a charity has the ability to claim a deduction on their federal and state tax returns. If this proposal encourages more people to claim the federal charity deduction that could lower their federal adjusted gross income that is reported on their Missouri tax return. That in turn could lower the amount of taxes DOR receives. It is unknown how many people would do this. This could result in a \$0 to Unknown loss.

Section 142.822 Motor Fuel Refund

SB 262 adopted in 2021 established an increasing motor fuel tax rate over the next five years. As part of the increasing rate, a procedure was established that allowed taxpayers to receive a refund of the increased motor fuel amount if they did not wish their increased motor fuel tax they paid to go to road improvements. To receive the refund a taxpayer had to submit an application with certain required information.

The application required:

- The VIN number of the vehicle that bought the fuel
- Date of sale of the fuel
- Name and address of the purchaser of fuel
- Name and address of the seller of the fuel
- Number of gallons purchased
- Number of gallons purchased and charged Missouri fuel tax

These records were to be maintained a minimum of three years for the Department to be able to do audits if needed.

This proposal changes the required information needed for claiming a refund. It removes the date of sale and name and address of the seller as required information. It only requires that the total number of gallons purchased be submitted. And it also only requires records to be maintained if provided.

In SB 262 the Department noted by receiving the originally required data the Department would ensure that each purchase was made in Missouri and charged the appropriate motor fuel tax and be able to ensure the same gallons were not reported by more than one vehicle. The Department would be able to audit to ensure more refunds were not paid out than actually purchased.

The changes proposed in this bill may increase the original refund estimates. No longer requiring proof of the sale date, or the address of the seller, may allow taxpayers to report gallons purchased in other states in their total gallons purchased. This could result in additional refunds paid out than actual motor fuel tax received.

No longer requiring that taxpayers keep records, may result in the Department being unable to audit records to ensure the appropriate number of gallons were refunded.

The Department is unable to determine the potential increased refunds that could be paid out under this proposal. It is unknown but could be expected to exceed \$100,000 annually.

Officials from the **Office of Administration - Budget and Planning (B&P)** assume the following regarding House Amendment 1:

Donation of Motor Fuel Tax Refund (Sections 142.815, 142.822, and 142.824

Non-Highway Use Motor Fuel Tax Exemption and Refund

Sections 142.815 and 142.824 would allow taxpayers to donate their motor fuel tax refund, for non-highway use, to a non-profit entity beginning October 2023. B&P notes that the information requirements are not changed under this proposal, only who would receive the refund.

Section 142.815 would grant taxpayers a deduction for any refund claims they donated to charity. B&P notes that such taxpayer would only be allowed to claim the deduction in this section if they did not take the charitable deduction on their itemized federal and state income tax returns.

In FY 2022, total non-highway use refund claims were \$9,146,015. B&P notes that these refunds were granted both before and after the motor fuel tax increased from \$0.17 to \$0.195 per gallon. Using the distribution of gallons sold between the two tax rate periods, B&P estimates that refund claims were made for 49,071,081 gallons.

B&P notes that under SB 262 (2021), the motor fuel tax is scheduled to increase by \$0.025 per year, for five years, until the total motor fuel tax is \$0.295. Accounting for the increases scheduled to occur under SB 262 (2021), B&P estimates that total non-highway use refund claims could total \$14,468,143 by fiscal year 2026. Table 1 shows the estimated amount of non-highway related motor fuel tax refunds through the implementation of SB 262 (2021).

Table 1: Estimated Refunds by Year

Fiscal Year	Non-Highway Use Refunds
2023	\$10,788,751
2024	\$12,013,963
2025	\$13,242,931
2026	\$14,468,143
2027	\$14,468,143

B&P is unable to determine how many non-highway use refund claims may be donated to a non-profit entity. Therefore, B&P will reflect the loss as “up to” the total amount claimed.

B&P notes that deductions do not reduce revenues on a dollar for dollar basis, but rather in proportion to the top tax rate applied. Therefore, B&P will show the estimated impacts throughout the implementation of the tax rate reductions from SB 3 (2022).

Therefore, B&P estimates that this proposal could reduce Total State Revenue (TSR) and General Revenue (GR) by up to \$534,043 in FY 2024 (tax year 2023, top tax rate 4.95%). Once SB 3 (2022) and SB 262 (2021) fully implement, this proposal could reduce TSR and GR by up to \$651,066 annually. Table 2 shows the estimated impact by top tax rate and year.

Table 2: Estimated Revenue Loss by Fiscal Year

Tax Rate	Tax Year (Fiscal Year)				
	2023 (FY24)	2024 (FY25)	2025 (FY26)	2026 (FY27)	2027 (FY 28)
4.95%	(\$534,043)	(\$594,691)	(\$655,525)	(\$716,173)	(\$716,173)
4.80%		(\$576,670)	(\$635,661)	(\$694,471)	(\$694,471)
4.70%			(\$622,418)	(\$680,003)	(\$680,003)
4.60%				(\$665,535)	(\$665,535)
4.50%					(\$651,066)

Section 142.822 – Increased Motor Fuel Tax Refund

Section 142.822 would allow taxpayers to donate their motor fuel tax refund, for non-highway use, to a non-profit entity beginning October 2023. B&P notes that the information requirements are not changed under this proposal, only who would receive the refund. B&P further notes that taxpayers are not granted an additional income tax deduction for any refunds donated. However, individuals could claim the donated refunds on their itemized federal and state income tax returns, under the existing charitable contribution itemized deduction. In addition, it is unknown if the ability to donate the fuel tax refund would encourage more refund claims than what would have otherwise occurred.

Therefore, B&P estimates that this provision could have an unknown negative impact on TSR and GR through potential charitable itemized deductions. This provision could also reduce the State Road Fund, as well as local fuel tax funds, through increased motor fuel tax refund claims.

Information Required for Motor Fuel Tax Refund (Section 142.822)

This proposal removes certain requirements currently necessary in order to claim the additional motor fuel tax under 142.803.3. Taxpayers would no longer be required to provide the date of sale, seller's name and address, as well as each fuel tax receipt.

B&P notes that this proposal would essentially prohibit DOR from completing any motor fuel tax refunds under this section, as taxpayers would no longer be required to keep or provide supporting documentation.

B&P notes that the estimates provided for SB 262 (2021) included the possibility that 100% of qualifying purchases were refunded. Therefore, while this provision makes it easier to claim the motor fuel tax refunds, no additional revenue loss is expected beyond what B&P originally estimated.

Oversight does not have information to the contrary and therefore, Oversight will reflect the estimates as provided by DOR and B&P.

House Amendment 2

Officials from the **Department of Revenue (DOR)** assume the following regarding House Amendment 2:

Section 142.822.10 Mobile App (House Amendment 2)

This proposal requires the Department to create a mobile application that will allow claims to be submitted on a person's phone at the time of motor fuel purchase. This proposal requires that the person be able to demonstrate the purchase at the pump. This will require the Department to create a mobile application that can interact with the current motor fuel system.

This proposal states the development and maintenance of the application should be paid out the fuel tax road fund. The Constitution designates how that money may be spent and the Department is unable to determine if this would be an approved expense.

It should be noted that this does not require the Department to refund the payment at the time of submission. DOR assumes the database will hold the submissions and DOR will refund during the approved period.

The Department estimates this system would cost at least **\$500,000**.

Oversight does not have information to the contrary and therefore, Oversight will reflect the estimate for the mobile application as provided by the DOR to the State Road Fund.

Officials from the **Office of Administration - Budget and Planning (B&P)** assume the following regarding House Amendment 3:

Mobile Rebate Application (Section 142.822)

Section 142.822.10 requires DOR to develop a mobile application that allows users to submit a refund claim at the time of fuel purchase, rather than making an annual claim for all purchases at once. B&P notes that if refund claims are made at the time of purchase, rather than on an annual basis, this could result in a cash flow impact where refunds that would have been claimed in year 2 are now claimed in year 1.

While this provision will not increase the overall number of refunds, it could 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. However, there will no longer be a cash flow impact by FY 2027, once SB 262 (2021) has fully implemented.

B&P defers to DOR for the costs to develop and maintain a mobile application.

House Amendment 3

Officials from the **Department of Revenue (DOR)** assume the following regarding House Amendment 3:

Section 144.822.4(2) Income Tax Refund for Motor Fuel - Standard Refund

This proposal also adds a process by which a taxpayer can decide to file for a flat rate standard motor fuel refund amount rather than fill out the itemized refund form above. This standard refund would be claimed on their income tax return and would be subject to the following limits.

**Standard Refund
Amount**

Tax Year	Refund
2023	\$30
2024	\$45
2025	\$60
2026	\$75

DOR records indicate that in tax year 2020, there were 3,250,763 Missouri individual income tax returns filed. Assuming that individuals who currently file the detailed refund form will continue to do so because of the size of their return exceeding the standard refund amount offered, DOR can assume there will be a potential 3,235,232 (3,250,763 income tax returns – 15,531 itemized returns) additional filers. This could result in the following estimated income tax claims per year.

**Standard Income Tax Claims by
Year**

Tax Year	Fiscal Year	Refund Claim
2023	2024	\$97,056,960
2024	2025	\$145,585,440
2025	2026	\$194,113,920
2026	2027	\$242,642,400

This proposal in Section 142.822.5 requires both the itemized refund request and the standard refund request to be paid out of the money collected from the additional tax.

This proposal will require the Department to modify its MO-1040 and MO -1040P forms, website and individual income tax computer system. These changes are estimated to cost \$7,193.

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 House Amendment 3:

This proposal would allow individuals to either claim an itemized (receipts required) or standard (no receipts required) motor fuel tax rebate refund. B&P notes that individuals cannot claim both and the total amount of refunds granted cannot exceed the amount of revenues generated under Section 142.803. In addition, all refund claims must be paid from the motor fuel tax fund that receives collections under Section 142.803.

Itemized Motor Fuel Refunds

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 bases (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 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

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 2023 and September 2023. B&P notes that the \$0.025 increase in the fuel tax during FY22 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 FY24 through FY26 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 252 (2021), B&P estimates that this proposal could increase refunds by \$702,893 to \$17,563,213 in FY24, depending on the number of qualifying taxpayers that make refund claims. In FY25 and FY26, refund claim may increase by \$234,298 to \$5,854,404 each year. There will no longer be a cash flow impact by FY21. 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)

Standard Income Tax Refunds

This proposal would allow taxpayers to take a standard refund, rather than the itemized receipt required rebate, beginning with tax year 2023. The standard refund would be claimed at the time an individual files their annual tax return. Table 3 shows the amounts of the standard refund by tax year.

Table 3: Standard Refund Amount

Tax Year	Refund
2023	\$35
2024	\$45
2025	\$65
2026	\$75

B&P notes that in tax year 2020, there were 3,250,763 Missouri individual income tax returns filed. Assuming that individuals who currently itemize their fuel tax returns continue to do so, B&P estimates that the standard refund may be claimed on 3,235,232 (3,250,763 income tax returns – 15,531 itemized returns). Table 4 shows the estimated income tax claims per year.

Table 4: Income Tax Claims by Year

Tax Year	Fiscal Year	Refund Claim
2023	2024	\$113,233,120
2024	2025	\$145,585,440
2025	2026	\$210,290,080
2026	2027	\$242,642,400

Summary

B&P estimates that this proposal could increase refunds from the State Road Fund by \$83,173,290 to \$95,481,323 in FY 2024, depending on the number of qualifying taxpayers that make refund claims. Once SB 262 (2021) fully implements, this proposal could increase refund claims from the State Road Fund by \$65,513,448.

Table 5: Standard and Itemized Refund Impact

State Fund	FY 2024		FY 2025	
	Low	High	Low	High
State Road Fund				
Standard Refund	(\$82,660,178)		(\$106,277,371)	
Itemized Rebate	(\$513,112)	(\$12,821,146)	(\$171,037)	(\$4,273,715)
Total State Road Fund	(\$83,173,290)	(\$95,481,323)	(\$106,448,409)	(\$110,551,086)
Local Funds				
CART				
Standard Refund	(\$13,587,974)		(\$17,470,253)	
Itemized Rebate	(\$84,347)	(\$2,107,586)	(\$28,116)	(\$702,529)
Total CART	(\$13,672,322)	(\$15,695,560)	(\$17,498,369)	(\$18,172,781)
Other Fuel Funds				
Standard Refund	(\$16,984,968)		(\$21,837,816)	
Itemized Rebate	(\$105,434)	(\$2,634,482)	(\$35,145)	(\$878,161)
Total Other Local	(\$17,090,402)	(\$19,619,450)	(\$21,872,961)	(\$22,715,977)
Total Local	(\$30,762,724)	(\$35,315,010)	(\$39,371,329)	(\$40,888,758)

Table 5: Standard and Itemized Refund Impact

State Fund	FY 2026		FY 2027	
	Low	High	Low	High
State Road Fund				
Standard Refund	(\$153,511,758)		(\$177,128,952)	
Itemized Rebate	(\$171,037)	(\$4,273,715)	\$0	\$0
Total State Road Fund	(\$153,682,796)	(\$157,785,474)	(\$177,128,952)	(\$177,128,952)
Local Funds				
CART				
Standard Refund	(\$25,234,810)		(\$29,117,088)	
Itemized Rebate	(\$28,116)	(\$702,529)	\$0	\$0
Total CART	(\$25,262,925)	(\$25,937,338)	(\$29,117,088)	(\$29,117,088)
Other Fuel Funds				
Standard Refund	(\$31,543,512)		(\$36,396,360)	
Itemized Rebate	(\$35,145)	(\$878,161)	\$0	\$0
Total Other Local	(\$31,578,657)	(\$32,421,673)	(\$36,396,360)	(\$36,396,360)
Total Local	(\$56,841,582)	(\$58,359,011)	(\$65,513,448)	(\$65,513,448)

Oversight does not have information to the contrary and therefore, Oversight will reflect the estimates as provided by DOR and B&P.

House Amendment 4

Officials from the **Department of Revenue (DOR)** assume the following regarding House Amendment 4:

Section 142.822.8 Weight Restriction Removed (House Amendment 4)

SB 262 contained a provision that would not allow a vehicle over 26,000 pounds to qualify for the refund. This proposal removes that restriction and would allow them to qualify for the refund of the increasing fuel tax rate. To qualify, those vehicles over 26,000 pounds must provide documentation proving their motor vehicle is owned and licensed in Missouri by a corporation or sole proprietor and that the vehicle only operated in Missouri. Should it operate outside the state, the miles and fuel must be separated by what was used in Missouri and what was used outside Missouri.

This provision would become effective August 28, 2023, but due to the previous provision moving the refund filing period this will have a fiscal impact starting in FY 2024.

For the fiscal note of SB 262, the Department projected the motor fuel increase and the amount expected to be refunded if 15% of all taxpayers (low) applied for the refund and if 100% of the taxpayers (high) applied for the refund.

This range was based on a similar program in South Carolina that capped the number of participants at 15% and the total amount that could be claimed. DOR used information on the number of actual vehicles and their average miles driven to estimate the refund amount.

While the first year of the program did not find the 15% filing for the refund, changes in the economic conditions and the increasing amount of the tax, indicates more taxpayers may claim the refund in the future. Therefore, for the purpose of this fiscal note, DOR will continue to use that same 15%-100% participation. Additionally, these heavier vehicles tend to use more fuel, which may encourage more participation in the refund program.

Based on information from its Motor Vehicle Databases, DOR was able to determine there are approximately 1.2 million vehicles that were ineligible for the refund based on their vehicles weight. However, DOR was unable to determine how many of them would still not meet the requirements of this proposal. For fiscal note purposes, DOR will assume all meet the new requirements and DOR notes the impact will be less than projected should some vehicles still not qualify.

DOR's FY 2022 motor fuel collections show there were 4,323,936,974 gallons of gasoline and diesel purchased in FY 2022. Using these numbers, DOR was able to calculate newer revenues and potential refunds to SB 262. DOR was able to calculate the potential refunds by removing the current qualifying vehicles. These are the updated revenue and refund potential amounts.

Table 1: Estimated Additional Refunds

	FY 2024	FY 2025	FY 2026	FY 2027
Estimated Collections (prior FY)	\$216,196,849	\$324,295,273	\$432,393,697	\$540,492,122
Estimated Current 100% Potential Refunds	- \$156,117,452	\$234,176,179	\$312,234,905	\$390,293,631
Remaining Collections (for non-qualifying MVs)	\$60,079,396	\$90,119,094	\$120,158,792	\$150,198,491
Estimated Low Additional Refund (15%)	(\$9,011,909)	(\$13,517,864)	(\$18,023,819)	(\$22,529,774)
Estimated High Additional Refund (100%)	(\$60,079,396)	(\$90,119,094)	(\$120,158,792)	(\$150,198,491)
Estimated Refunds for every 1% uptake	(\$600,794)	(\$901,191)	(\$1,201,588)	(\$1,501,985)
Estimated Refunds for every 5% uptake	(\$3,003,970)	(\$4,505,955)	(\$6,007,940)	(\$7,509,925)

This has the potential to increase the amount of the refunds each year.

Motor fuel tax is distributed 73% to the State Road Fund, 15% to the Counties and 12% to the Cities. If a refund is claimed, the refund is withheld from the distribution in the same percentage. Therefore the funds would be impacted as follows:

	FY 2024		FY 2025	
	Low	High	Low	High
Counties	(\$1,892,501)	(\$12,616,673)	(\$1,892,501)	(\$12,616,673)
Cities	(\$2,365,626)	(\$15,770,842)	(\$2,365,626)	(\$15,770,842)
Total Local	(\$4,258,127)	(\$28,387,515)	(\$4,258,127)	(\$28,387,515)
State Road Fund	(\$11,512,714)	(\$76,751,429)	(\$11,512,714)	(\$76,751,429)

	FY 2026		FY 2027	
	Low	High	Low	High
Counties	(\$2,433,216)	(\$16,221,437)	(\$2,703,573)	(\$18,023,819)
Cities	(\$3,041,519)	(\$20,276,796)	(\$3,379,466)	(\$22,529,774)
Total Local	(\$5,474,735)	(\$36,498,233)	(\$6,083,039)	(\$40,553,593)
State Road Fund	(\$14,802,061)	(\$98,680,408)	(\$16,446,735)	(\$109,644,898)

The Department already has the forms and processes set up to handle these refunds. No additional fiscal impact is expected.

Summary

This proposal will have the following revenue impact:

Consolidated Impact

	FY 2024		FY 2025	
	Low	High	Low	High
State Fund				
General Revenue				
Charity Deduction	(\$576,670)	(\$576,670)	(\$622,418)	(\$622,418)
Creation of the APP	(\$500,000)	(\$500,000)		
Total General Revenue	(\$1,076,670)	(\$1,076,670)	(\$622,418)	(\$622,418)
State Road Fund				
Standard Refund	(\$70,851,581)	(\$70,851,581)	(\$106,277,371)	(\$106,277,371)
Itemized Rebate	(\$513,112)	(\$12,821,146)	(\$171,037)	(\$4,273,715)
Weight Limit Removed	(\$11,512,714)	(\$76,751,429)	(\$11,512,714)	(\$76,751,429)
Total State Road Fund	(\$82,877,407)	(\$160,424,156)	(\$117,961,123)	(\$187,302,515)
Local Funds				
Counties				
Standard Refund	(\$11,646,835)	(\$11,646,835)	(\$17,470,253)	(\$17,470,253)
Itemized Rebate	(\$84,347)	(\$2,107,586)	(\$28,116)	(\$702,529)
Weight Limit Removed	(\$1,892,501)	(\$12,616,673)	(\$1,892,501)	(\$12,616,673)
Total Counties	(\$13,623,683)	(\$26,371,094)	(\$19,390,870)	(\$30,789,454)
Cities				
Standard Refund	(\$14,558,544)	(\$14,558,544)	(\$21,837,816)	(\$21,837,816)
Itemized Rebate	(\$105,434)	(\$2,634,482)	(\$35,145)	(\$878,161)

Weight Limit Removed	(\$2,365,626)	(\$15,770,842)	(\$2,365,626)	(\$15,770,842)
Total Cities	(\$17,029,604)	(\$32,963,868)	(\$24,238,587)	(\$38,486,819)
Total Local	(\$30,653,287)	(\$59,334,962)	(\$43,629,456)	(\$69,276,273)

Consolidated Impact

	FY 2026		FY 2027	
	Low	High	Low	High
State Fund				
General Revenue				
Charity Deduction	(\$665,535)	(\$665,535)	(\$651,066)	(\$651,066)
Total General Revenue	(\$665,535)	(\$665,535)	(\$651,066)	(\$651,066)
State Road Fund				
Standard Refund	(\$141,703,162)	(\$141,703,162)	(\$177,128,952)	(\$177,128,952)
Itemized Rebate	(\$171,037)	(\$4,273,715)	\$0	\$0
Weight Limit Removed	(\$14,802,061)	(\$98,680,408)	(\$16,446,735)	(\$109,644,898)
Total State Road Fund	(\$156,676,260)	(\$244,657,285)	(\$193,575,687)	(\$286,773,850)
Local Funds				
Counties				
Standard Refund	(\$23,293,670)	(\$23,293,670)	(\$29,117,088)	(\$29,117,088)
Itemized Rebate	(\$28,116)	(\$702,529)	\$0	\$0
Weight Limit Removed	(\$2,433,216)	(\$16,221,437)	(\$2,703,573)	(\$18,023,819)
Total Counties	(\$25,755,002)	(\$40,217,636)	(\$31,820,661)	(\$47,140,907)
Cities				

Standard Refund	(\$29,117,088)	(\$29,117,088)	(\$36,396,360)	(\$36,396,360)
Itemized Rebate	(\$35,145)	(\$878,161)	\$0	\$0
Weight Limit Removed	(\$3,041,519)	(\$20,276,796)	(\$3,379,466)	(\$22,529,774)
Total Cities	(\$32,193,752)	(\$50,272,045)	(\$39,775,826)	(\$58,926,134)
Total Local	(\$57,948,754)	(\$90,489,681)	(\$71,596,487)	(\$106,067,041)

Officials from the **Office of Administration - Budget and Planning (B&P)** assume the following regarding House Amendment 4:

This proposal would allow motor fuel tax refund claims on fuel purchased for vehicles heavier than 26,000 pounds, if such vehicles are owned by a corporation or sole proprietorship located in Missouri. B&P notes that the language specifically lists corporations and sole proprietors; therefore, it is unclear whether other pass-through entities such as partnerships or LLCs would also qualify under this provision.

B&P notes that this proposal would become effective August 28, 2023, which is during the motor fuel refund request window of July 1, 2023 through September 30, 2023 for fuel tax purchases between July 2022 and June 2023. For the purpose of this fiscal note, B&P will assume that refund claims will increase from the repeal of Section 142.822.6 during the FY 2024 refund claim period. However, B&P acknowledges that not all newly qualifying taxpayers would have kept their fuel receipts because they do not qualify under current law.

B&P further notes that for the TAFP SB 262 (2021) fiscal note, B&P assumed that the amount of refunds would range between 15% and 100% of all qualified taxpayers, whose vehicles weighed less than 26,000 pounds. Therefore, under this proposal, B&P assumes that refund claims will still range between 15% and 100%; however, the number of qualifying vehicles would increase with the removal of the weight limit. In addition, B&P notes that heavier vehicles tend to use more motor fuel than lighter vehicles, which may incentivize a higher uptake in refund claims.

Using FY 2022 motor fuel tax collections, B&P estimates that there were 4,323,936,974 gallons of gasoline and diesel purchased during FY 2022. B&P then updated the TAFP SB 262 (2021) fiscal estimates for both revenues and potential refunds, under current law, using the newer gallons sold data. B&P then determined the amount of refunds that could remain after accounting for all currently qualifying vehicles. Table 1 shows the updated revenue and refund estimates.

Table 1: Estimated Additional Refunds

	FY 2024	FY 2025	FY 2026	FY 2027
Estimated Collections (prior FY)	\$216,196,849	\$324,295,273	\$432,393,697	\$540,492,122
Estimated Current 100% Potential Refunds -	\$156,117,452	\$234,176,179	\$312,234,905	\$390,293,631
Remaining Collections (for non-qualifying MVs)	\$60,079,396	\$90,119,094	\$120,158,792	\$150,198,491
Estimated Low Additional Refund (15%)	(\$9,011,909)	(\$13,517,864)	(\$18,023,819)	(\$22,529,774)
Estimated High Additional Refund (100%)	(\$60,079,396)	(\$90,119,094)	(\$120,158,792)	(\$150,198,491)
Estimated Refunds for every 1% uptake	(\$600,794)	(\$901,191)	(\$1,201,588)	(\$1,501,985)
Estimated Refunds for every 5% uptake	(\$3,003,970)	(\$4,505,955)	(\$6,007,940)	(\$7,509,925)

Therefore, B&P estimates that this proposal could increase motor fuel tax refunds by up to \$9.0 million to \$60.1 million in FY 2024. Once fully implemented, this proposal could increase motor fuel tax refunds by up to \$22.5 million to \$150.2 million annually.

However, as noted before, it is unknown how many additional refund claims will be made. B&P estimates that every 5% increase in refund claims could increase refund amounts by \$7.5 million once fully implemented.

B&P notes that motor fuel tax collections are distributed 73% to the State Road Fund, 12% to the County Aid Road Trust Fund, 15% to other local funds. Therefore, B&P estimates that this proposal could reduce revenues to the State Road Fund by up to \$6.6 million to \$43.9 million and local revenues by up to \$2.4 million to \$16.2 million in FY 2024. Once TAFP SB 262 (2021) has fully implemented, this proposal could reduce revenues to the State Road Fund by up to \$22.5 million to \$150.2 million and local revenues by \$6.1 million to up to \$40.6 million annually. Table 2 shows the estimated impact by fund.

Table 2: Estimated Impact By Fund

State Fund	FY 2024		FY 2025	
	Low (15%)	High (100%)	Low (15%)	High (100%)
State Road Fund	(\$6,578,694)	(\$43,857,959)	(\$9,868,041)	(\$65,786,939)
Local Funds				
CART	(\$1,081,429)	(\$7,209,528)	(\$1,622,144)	(\$10,814,291)
Other	(\$1,351,786)	(\$9,011,909)	(\$2,027,680)	(\$13,517,864)
Total Local	(\$2,433,215)	(\$16,221,437)	(\$3,649,824)	(\$24,332,155)

Table 2 (cont.): Estimated Impact By Fund

State Fund	FY 2026		FY 2027	
	Low (15%)	High (100%)	Low (15%)	High (100%)
State Road Fund	(\$13,157,388)	(\$87,715,919)	(\$16,446,735)	(\$109,644,898)
Local Funds				
CART	(\$2,162,858)	(\$14,419,055)	(\$2,703,573)	(\$18,023,819)
Other	(\$2,703,573)	(\$18,023,819)	(\$3,379,466)	(\$22,529,774)
Total Local	(\$4,866,431)	(\$32,442,874)	(\$6,083,039)	(\$40,553,593)

Bill Summary

B&P estimates that this proposal could decrease state revenues by \$95,220,047 to \$172,766,796 and local funds by \$35,020,850 to \$63,702,525 in FY 2024. Once SB 3(2022) and all other provisions have implemented, this proposal may decrease state revenues by \$194,226,753 to \$287,424,916 and local revenues by \$71,596,487 to \$106,067,041. Table 1 shows the estimated impact by fiscal year.

Table 1: Estimated Summary Impact

State Fund	FY 2024		FY 2025		FY 2026	
	Low	High	Low	High	Low	High
General Revenue - Donations	(\$534,043)		(\$576,670)		(\$635,661)	
State Road Fund						
Standard Refund	(\$82,660,178)		(\$106,277,371)		(\$153,511,758)	
Itemized Rebate	(\$513,112)	(\$12,821,146)	(\$171,037)	(\$4,273,715)	(\$171,037)	(\$4,273,715)
Weight Limit + Timing	(\$11,512,714)	(\$76,751,429)	(\$11,512,714)	(\$76,751,429)	(\$14,802,061)	(\$98,680,408)
Total State Road Fund	(\$94,686,004)	(\$172,232,753)	(\$117,961,122)	(\$187,302,515)	(\$168,484,856)	(\$256,465,881)
Total State Impact	(\$95,220,047)	(\$172,766,796)	(\$118,537,792)	(\$187,879,185)	(\$169,120,517)	(\$257,101,542)
Local Funds						
CART						
Standard Refund	(\$13,587,974)		(\$17,470,253)		(\$25,234,810)	
Itemized Rebate	(\$84,347)	(\$2,107,586)	(\$28,116)	(\$702,529)	(\$28,116)	(\$702,529)
Weight Limit + Timing	(\$1,892,501)	(\$12,616,673)	(\$1,892,501)	(\$12,616,673)	(\$2,433,216)	(\$16,221,437)
Total CART	(\$15,564,822)	(\$28,312,233)	(\$19,390,870)	(\$30,789,455)	(\$27,696,142)	(\$42,158,776)
Other						
Standard Refund	(\$16,984,968)		(\$21,837,816)		(\$31,543,512)	
Itemized Rebate	(\$105,434)	(\$2,634,482)	(\$35,145)	(\$878,161)	(\$35,145)	(\$878,161)
Weight Limit + Timing	(\$2,365,626)	(\$15,770,842)	(\$2,365,626)	(\$15,770,842)	(\$3,041,519)	(\$20,276,796)
Total Other	(\$19,456,028)	(\$35,390,292)	(\$24,238,587)	(\$38,486,819)	(\$34,620,176)	(\$52,698,469)
Total Local	(\$35,020,850)	(\$63,702,525)	(\$43,629,456)	(\$69,276,273)	(\$62,316,317)	(\$94,857,244)

Table 1: Estimated Summary Impact

	FY 2027		FY 2028		FY 2029	
	Low	High	Low	High	Low	High
State Fund						
General Revenue - Donations	(\$680,003)		(\$665,535)		(\$651,066)	
State Road Fund						
Standard Refund	(\$177,128,952)		(\$177,128,952)		(\$177,128,952)	
Itemized Rebate	\$0	\$0	\$0	\$0	\$0	\$0
Weight Limit + Timing	(\$16,446,735)	(\$109,644,898)	(\$16,446,735)	(\$109,644,898)	(\$16,446,735)	(\$109,644,898)
Total State Road Fund	(\$193,575,687)	(\$286,773,850)	(\$193,575,687)	(\$286,773,850)	(\$193,575,687)	(\$286,773,850)
Total State Impact	(\$194,255,690)	(\$287,453,853)	(\$194,241,222)	(\$287,439,385)	(\$194,226,753)	(\$287,424,916)
Local Funds						
CART						
Standard Refund	(\$29,117,088)		(\$29,117,088)		(\$29,117,088)	
Itemized Rebate	\$0	\$0	\$0	\$0	\$0	\$0
Weight Limit + Timing	(\$2,703,573)	(\$18,023,819)	(\$2,703,573)	(\$18,023,819)	(\$2,703,573)	(\$18,023,819)
Total CART	(\$31,820,661)	(\$47,140,907)	(\$31,820,661)	(\$47,140,907)	(\$31,820,661)	(\$47,140,907)
Other						
Standard Refund	(\$36,396,360)		(\$36,396,360)		(\$36,396,360)	
Itemized Rebate	\$0	\$0	\$0	\$0	\$0	\$0
Weight Limit + Timing	(\$3,379,466)	(\$22,529,774)	(\$3,379,466)	(\$22,529,774)	(\$3,379,466)	(\$22,529,774)
Total Other	(\$39,775,826)	(\$58,926,134)	(\$39,775,826)	(\$58,926,134)	(\$39,775,826)	(\$58,926,134)
Total Local	(\$71,596,487)	(\$106,067,041)	(\$71,596,487)	(\$106,067,041)	(\$71,596,487)	(\$106,067,041)

Oversight does not have information to the contrary and therefore, Oversight will reflect the estimates as provided by DOR and B&P.

In response to a similar proposal from 2023 (HB 1354), official from the **Missouri Department of Transportation (MoDOT)** assumed the expansion of the motor fuel tax refund to motor vehicles that exceed 26,000 pounds would create an unknown negative fiscal impact if Missouri-based motor carriers licensed under the International Fuel Tax Agreement (IFTA) are included.

IFTA takes into account both gallons purchased, and gallons consumed within the state when determining a motor carrier's fuel tax owed. It is unclear if the language "delivered into a motor vehicle" is intended to apply to fuel purchased in Missouri, consumed in Missouri, or both.

Because IFTA is administered by MoDOT's Motor Carrier Services Division and other refunds are issued by the Department of Revenue, refunds could be issued more than once. The easing of reporting information for a refund would not satisfy the audit requirements for IFTA.

Allowing only Missouri-based carriers to be eligible for refunds for motor vehicles over 26,000 pounds may create an unfair interstate commerce practice.

MoDOT defers to DOR for the fiscal impacted expected from motor fuel tax refunds.

Bill as a Whole

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.

Rule Promulgation

Officials from the **Joint Committee on Administrative Rules** assume this proposal is not anticipated to cause a fiscal impact beyond its current appropriation.

Officials from the **Office of the Secretary of State (SOS)** note 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 SOS for Administrative Rules is less than \$5,000. The SOS recognizes that this is a small amount and does not expect that additional funding would be required to meet these costs.

<u>FISCAL IMPACT</u> – State Government (continued)	FY 2024 (10 Mo.)	FY 2025	FY 2026	Fully Implemented (FY 2027)
STATE ROAD FUND				
<u>Cost</u> – DOR – development of app to claim motor fuel tax refunds at the pump (\$142.822) p. 14 (HA 2)	Could exceed (\$500,000)	\$0	\$0	\$0
<u>Cash Flow</u> – timing of the motor fuel tax refunds – moved up to CY instead of FY p. 3-7	(\$513,112 to \$12,821,146)	(\$171,037 to \$4,273,715)	(\$171,037 to \$4,273,715)	\$0
<u>Loss</u> – increase in fuel tax refunds due to eliminating certain required p. information (\$142.822) p. 10 (HA 1)	(Unknown)	(Unknown)	(Unknown)	(Unknown)
<u>Loss</u> – increased motor fuel tax refunds due to the elimination of the weight limit for vehicles to claim refunds (\$142.822) p. 21-23 (HA 4)	(\$11,512,714 to \$76,751,429)	(\$11,512,714 to \$76,751,429)	(\$14,802,061 to \$98,680,408)	(\$16,446,735 to \$109,644,898)

<u>FISCAL IMPACT</u> – <u>State</u> <u>Government</u> (continued)	FY 2024 (10 Mo.)	FY 2025	FY 2026	Fully Implemented (FY 2027)
<u>Loss</u> – taxpayers claiming the standard refund vs. the itemized refund p. 14-18 (HA 3)	(\$82,660,178)	(\$106,277,371)	(\$153,511,758)	(\$177,128,952)
ESTIMATED NET EFFECT ON THE STATE ROAD FUND	<u>Could exceed</u> <u>(\$95,186,004 to</u> <u>\$172,732,753)</u>	<u>Could exceed</u> <u>(\$117,961,122</u> <u>to</u> <u>\$187,302,515)</u>	<u>Could exceed</u> <u>(\$168,484,856</u> <u>to</u> <u>\$256,465,881)</u>	<u>Could exceed</u> <u>(\$193,575,687</u> <u>to</u> <u>\$286,773,850)</u>

<u>FISCAL IMPACT</u> – <u>Local</u> <u>Government</u>	FY 2024 (10 Mo.)	FY 2025	FY 2026	Fully Implemented (FY 2027)
LOCAL POLITICAL SUBDIVISIONS				
<u>Cash Flow</u> – (Cities and Counties) timing of the motor fuel tax refunds (§142.822) p. 3-7	(\$189,781 to \$4,742,068)	(\$63,261 to \$1,580,690)	(\$63,261 to \$1,580,690)	\$0
<u>Loss</u> – (Cities and Counties) increase in fuel tax refunds due to eliminating certain required information (§142.822) p. 10 (HA 1)	(Unknown)	(Unknown)	(Unknown)	(Unknown)

<u>FISCAL IMPACT</u> <u>– Local</u> <u>Government</u> (continued)	FY 2024 (10 Mo.)	FY 2025	FY 2026	Fully Implemented (FY 2027)
<u>Loss – taxpayers</u> <u>claiming the</u> <u>standard refund vs.</u> <u>the itemized refund</u> <u>p. 14-18 (HA 3)</u>	(\$30,572,942)	(\$39,308,069)	(\$56,778,322)	(\$65,513,488)
<u>Loss – increase in</u> <u>motor fuel tax</u> <u>refunds due to</u> <u>eliminating the</u> <u>weight limit</u> <u>restriction p. 21-23</u> <u>(HA 4)</u>	(\$4,258,127 to \$28,387,515)	(\$4,258,127 to \$28,387,515)	(\$5,474,735 to \$36,498,233)	(\$6,083,039 to \$40,553,593)
ESTIMATED NET EFFECT ON LOCAL POLITICAL SUBDIVISIONS	Could exceed (\$35,020,850 to \$63,702,525)	Could exceed (\$43,629,457 to \$69,276,274)	Could exceed (\$62,316,318 to \$94,857,245)	Could exceed (\$71,596,527 to \$106,067,081)

FISCAL IMPACT – Small Business

Small businesses that purchase motor fuel could be impacted as a result of this proposal.

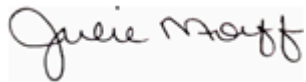
FISCAL DESCRIPTION

This proposal modifies provisions relating to motor fuel tax exemption.

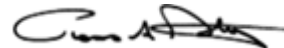
This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Department of Revenue
Office of Administration - Budget and Planning
Missouri Department of Transportation
Missouri Highway Patrol
Missouri Department of Conservation
Office of Administration
Office of the Secretary of State
Joint Committee on Administrative Rules



Julie Morff
Director
March 29, 2023



Ross Strope
Assistant Director
March 29, 2023