

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 3316H.011
 Bill No.: HB 2072
 Subject: Taxation and Revenue - General; Motor Fuel; Taxation and Revenue - Sales and Use; Tax Incentives; Transportation; Department of Revenue
 Type: Original
 Date: February 28, 2024

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

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND				
FUND AFFECTED	FY 2025	FY 2026	FY 2027	Fully Implemented (FY 2028)
General Revenue	Could exceed (\$1,061,713)	Could exceed (\$574,316)	Could exceed (\$627,443)	Could exceed (\$627,443)
Total Estimated Net Effect on General Revenue	Could exceed (\$1,061,713)	Could exceed (\$574,316)	Could exceed (\$627,443)	Could exceed (\$627,443)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS				
FUND AFFECTED	FY 2025	FY 2026	FY 2027	Fully Implemented (FY 2028)
Motor Fuel Tax Fund of 2021	\$155,843,225 to \$232,489,415	\$275,969,168 to \$321,153,012	\$208,194,437 to \$257,302,121	\$160,085,192 to \$209,192,876
State Road Fund	(\$248,695,055 to \$257,305,693)	(\$351,036,017 to \$385,478,570)	(\$342,233,391 to \$385,286,583)	(\$342,233,391 to \$385,286,583)
Total Estimated Net Effect on Other State Funds	(\$24,816,278 to 92,851,830)	(\$64,325,558 to \$75,066,849)	(\$127,984,462 to \$134,038,954)	(\$176,093,707 to \$182,148,199)

Numbers within parentheses: () indicate costs or losses.

ESTIMATED NET EFFECT ON FEDERAL FUNDS				
FUND AFFECTED	FY 2025	FY 2026	FY 2027	Fully Implemented (FY 2028)
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 2025	FY 2026	FY 2027	Fully Implemented (FY 2028)
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 2025	FY 2026	FY 2027	Fully Implemented (FY 2028)
Local Government	(\$91,983,102 to \$95,167,859)	(\$129,835,239 to \$142,574,266)	(\$126,579,473 to \$142,503,257)	(\$126,579,473 to \$142,503,257)

FISCAL ANALYSIS

ASSUMPTION

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

Bill as a Whole

SB 262 adopted in 2021 created a system by which the motor fuel tax would increase annually over a period of years. The motor fuel tax rate at that time was \$0.17 per gallon and it was to increase \$0.025 per year until it reached \$0.295 per gallon.

The rate is currently increasing as follows:

FY Tax Rate	Refund Can Be Claimed (July to Sept)	Tax Increase	Total Motor Fuel Tax
FY 2022	FY 2023	\$0.025	\$0.195
FY 2023	FY 2024	\$0.050	\$0.220
FY 2024	FY 2025	\$0.075	\$0.245
FY 2025	FY 2026	\$0.100	\$0.270
FY 2026+	FY 2027+	\$0.125	\$0.295

This proposal will make numerous changes to how SB 262 is currently being implemented.

Section 142.803 Distribution of Motor Fuel Tax

The Department of Revenue is responsible for the collection and distribution of the state motor fuel tax. The motor fuel tax is distributed per the Missouri Constitution Article IV, Section 30(a) with 73% distributed to the State Road Fund (0320), 15% distributed to cities and 12% distributed to counties.

This proposal would require the Department, upon receipt of the motor fuel tax, to separate the original \$0.17 per gallon tax from the increasing amount of tax, currently \$0.245 per gallon. The current increasing amount of tax is \$0.075 per gallon. This proposal would require the Department to put this additional tax into a newly created Motor Fuel Tax Fund of 2021. The Department would use this fund to pay out the future refunds. At the end of each refund period, if there was any money left over in the fund, the General Assembly would be responsible for determining its distribution.

DOR is unsure if diverting the additional motor fuel tax money would violate the Constitution. For fiscal note purposes only, DOR will show the impact of the tax money being diverted.

SB 262 also created a process by which a taxpayer who did not want to have their additional tax each year used for road improvements, could seek a refund of that additional tax. The refund is applied for in the following fiscal year in which the tax is paid. The Department issues the refunds out of the monthly distribution to the funds.

This proposal would become effective on August 28, 2024. This is in the middle of the FY 2023 refund period of July 1, 2024 to September 30, 2024. This means that only the refunds from August 28th to Sept 30th could be paid out of this new fund. However, motor fuel tax is submitted the second working day of the month so DOR may not have any money in the account until Sept 3rd to make the payments.

Using the current revenue estimates DOR assumes the following impact from the diversion:

Table 1: Estimated Impact from Diverting Additional Fuel Tax by Fund

<u>State Funds</u>	FY 2025		FY 2026	
	Low	High	Low	High
MFTF 2021 - diversion in	\$340,678,157	\$352,473,552	\$480,871,256	\$528,052,836
State Road Fund - diversion out	(\$248,695,055)	(\$257,305,693)	(\$351,036,017)	(\$385,478,570)
Total State Impact	\$91,983,102	\$95,167,859	\$129,835,239	\$142,574,266
<u>Local Funds</u>				
CART - diversion out	(\$40,881,379)	(\$42,296,826)	(\$57,704,551)	(\$63,366,340)
Other - diversion out	(\$51,101,724)	(\$52,871,033)	(\$72,130,688)	(\$79,207,925)
Total Local Impact	(\$91,983,102)	(\$95,167,859)	(\$129,835,239)	(\$142,574,266)

Table 1: Estimated Impact from Diverting Additional Fuel Tax by Fund (cont.)

<u>State Funds</u>	FY 2027	
	Low	High
MFTF 2021 - diversion in	\$468,812,864	\$527,789,839
State Road Fund - diversion out	(\$342,233,391)	(\$385,286,583)
Total State Impact	\$126,579,473	\$142,503,257
<u>Local Funds</u>		
CART - diversion out	(\$56,257,544)	(\$63,334,781)
Other - diversion out	(\$70,321,930)	(\$79,168,476)
Total Local Impact	(\$126,579,473)	(\$142,503,257)

This proposal would require the Department to update its computer system to handle another fund. The Department assumes it would cost **\$1,785**.

Section 142.815, 142.822.1 & 142.824 Motor Fuel Refund Given to Charity

Non-Highway Use Motor Fuel Tax Exemption and Refund

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, 2024, 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 2023, the Department processed \$9,146,015 in non-highway refund claims. DOR estimates that refund claims were made for 45,282,564 gallons.

Accounting for the SB 262 increases, DOR estimates the total non-highway use refund claims could total \$13,349,859 by tax year 2026. The estimated amount of non-highway related motor fuel tax refunds through the implementation of SB 262 is:

Table 2: Estimated Refunds by Year

Fiscal Year	Non-Highway Use Refunds
2024	\$11,085,051
2025	\$12,219,494
2026	\$13,349,859
2027	\$13,349,859

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).

Table 3: Estimated Revenue Loss by Fiscal Year

Tax Rate	Tax Year (Fiscal Year)			
	2024 (FY25)	2025 (FY26)	2026 (FY27)	2027 (FY 28)
4.80%	(\$532,082)	(\$586,536)	(\$640,793)	(\$640,793)
4.70%		(\$574,316)	(\$627,443)	(\$627,443)
4.60%			(\$614,093)	(\$614,093)
4.50%				(\$600,744)

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 **\$8,923**. Additionally, this will result in additional errors and correspondence generated and DOR will need **1 Associate Customer Service Representative** (\$35,880) to handle the workload.

Highway Users Donation of Motor Fuel Tax Refund

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 the state receives. It is unknown how many people would do this. This could result in a **\$0 to Unknown loss**.

Change in Information Submitted on Refund Form

This proposal no longer requires that the vehicle identification number or the name and address of the seller of the motor fuel be provided. Without that information, DOR assumes taxpayers may claim fuel purchased in other states. The fiscal note estimates are based on the current amount of fuel sold in Missouri. Should fuel from other states be claimed, the actual impact of this proposal could be significantly higher than estimated.

Section 142.822 Motor Fuel Refund Period Change

SB 262 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 September after the fiscal year ends, this proposal moves the refund period to January 15th 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, 2025.

Table 4: Timing of Refund Claims

Date of Purchase	Fuel Tax Rate	Current Refund Timing		Proposed Refund Timing	
		Date	Fiscal Year	Date	Fiscal Year
7/2023 - 12/2023	\$0.075	7/2024 - 9/2024	FY 2025	1/2024 - 4/2024	FY 2025
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. How much of the refunds will now shift to another fiscal year (refund period) is shown below.

DOR notes that the second round of the refund period was completed from July 2023 to September 2023 and DOR records indicate \$692,396 in refunds were claimed. While the additional tax received was \$211,641,930. Therefore, DOR refunded approximately 0.33% ($\$692,396/\$211,641,930$) of the additional revenue.

DOR had 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 0.33% 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 0.33% to the 15% under SB 262 for the shift in the refund period.

While this proposal will not increase the number of refunds, it will have a cash flow impact due to the Motor Fuel Tax Refund of 2021 Fund. Using refund estimates for SB 262, DOR assumes an increase in refunds of \$525,994 to \$24,116,784 in FY 2025. In FY 2026 it could have an impact of \$131,498 to \$6,029,196. After that there will be no additional cash flow impact.

This proposal will result in the Department needing to change its forms and its 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** (\$35,880) for every 6,000 claims processed at a single rate per year. Additionally, DOR 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.

Section 142.822.4(2) Income Tax Refund for Motor Fuel

This proposal 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 applied against their state tax liability. It would be subject to the following limits.

Table 5: Standard Refund Amount

Tax Year	Refund
2024	\$30
2025	\$45
2026	\$60
2027+	\$75

DOR records indicate that in tax year 2021, there were 3,217,809 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 exceeded the standard refund amount offered, DOR can assume there will be a potential 3,207,283 (3,217,809 income tax returns – 10,526 itemized returns) additional filers. This could result in the following estimated income tax claims per year.

Table 6: Income Tax Claims by Year

Tax Year	Fiscal Year	Refund Claim
2024	2025	\$96,218,490
2025	2026	\$144,327,735
2026	2027	\$192,436,980
2027	2028	\$240,546,225

This proposal in Section 142.822.5 requires both the detailed refund request and the standard refund request to be paid out of the money collected from the additional tax and therefore from the Motor Fuel Tax Fund of 2021 Fund. Therefore, this would result in the following impact.

Table 7: Standard and Itemized Refund Impacts

	FY 2025		FY 2026	
	<u>Low</u>	<u>High</u>	<u>Low</u>	<u>High</u>
Standard Refund Receipt	(\$96,218,490)		(\$144,327,735)	
Refund	(\$525,994)	(\$24,116,784)	(\$131,498)	(\$6,029,196)
Total	(\$96,744,484)	(\$120,335,274)	(\$144,459,233)	(\$150,356,931)

Table 7: Standard and Itemized Refund Impacts (cont.)

	FY 2027		FY 2028	
	<u>Low</u>	<u>High</u>	<u>Low</u>	<u>High</u>
Standard Refund Receipt	(\$192,436,980)		(\$240,546,225)	
Refund	\$0	\$0	\$0	\$0
Total	(\$192,436,980)	(\$192,436,980)	(\$240,546,225)	(\$240,546,225)

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 **\$8,923**.

Currently, taxpayers are allowed to submit these forms electronically or mailed on paper. Should they 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. Should moving the deadline result in slower processing times, this could result in an **unknown** amount of interest being paid.

Section 142.822.9 Motor Fuel Refund for Vehicles Over 26,000 Pounds

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, 2024, so these vehicles will become eligible to claim the refund starting July 1, 2025 (FY 2025) for the period of August 28, 2024 to June 30, 2025.

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 the 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 2023 motor fuel collections show there were 4,232,838,592 gallons of gasoline and diesel purchased in FY 2023. Using these numbers, DOR was able to calculate newer revenues and potential refunds to SB 262. Then DOR was able to calculate the potential refunds by removing the current qualifying vehicles. These are the updated revenue and refund potential amounts.

Table 8: Estimated Additional Refunds

	FY 2025	FY 2026	FY 2027
Estimated Collections (prior FY)	\$317,462,894	\$423,283,859	\$529,104,824
Estimated Current 100% Potential Refunds	- \$241,167,841	\$321,557,122	\$401,946,402
Remaining Collections (for non-qualifying MVs)	\$76,295,053	\$101,726,737	\$127,158,422
Estimated Low Additional Refund (15%)	(\$11,444,258)	(\$15,259,011)	(\$19,073,763)
Estimated High Additional Refund (100%)	(\$76,295,053)	(\$101,726,737)	(\$127,158,422)
Estimated Refunds for every 1% uptake	(\$762,951)	(\$1,017,267)	(\$1,271,584)
Estimated Refunds for every 5% uptake	(\$3,814,753)	(\$5,086,337)	(\$6,357,921)

This has the potential to increase the amount of the refunds each year. It is unknown how many additional refunds will be claimed. DOR estimates that for every 5% increase in refund claims, it could increase refund amounts by \$6,357,921 once fully implemented.

Table 9: Estimated Impact

State Fund	FY 2025		FY 2026		FY 2027	
	Low (15%)	High (100%)	Low (15%)	High (100%)	Low (15%)	High (100%)
Motor Fuel Tax Fund of 2021	(\$11,444,258)	(\$76,295,053)	(\$15,259,011)	(\$101,726,737)	(\$19,073,763)	(\$127,158,422)

Section 142.822.10 Mobile Application

This proposal requires DOR to provide a mobile application to allow users to submit their receipts at the time of purchase. This would be used by people doing the itemized refund. This proposal appears to allow the refund at the time of purchase rather than waiting until the next refund period. This would not change the number of filers, just the cash flow of when the refunds will occur. DOR assumes they will need to contract for a vendor to create such a system. This is estimated to cost over **\$500,000**.

Bill Summary

This bill will result in the following impact:

Table 10: Summary

State Funds	FY 2025		FY 2026	
	Low	High	Low	High
General Revenue - Refund Deduction	Up to (\$532,082)		Up to (\$574,316)	Up to (\$583,536)
State Road Fund - Diversion Out	(\$248,695,055)	(\$257,305,693)	(\$351,036,017)	(\$385,478,570)
Motor Fuel Tax Fund of 2021				
Diversions in	\$340,678,157	\$352,473,552	\$480,871,256	\$528,052,836
Refund Timing - Itemized	(\$525,994)	(\$24,116,784)	(\$131,498)	(\$6,029,196)
Standard Refund Claim	(\$96,218,490)		(\$144,327,735)	
Weight Limit Removal	(\$11,444,258)	(\$76,295,053)	(\$15,259,011)	(\$101,726,737)
Net MFTF 2021	\$232,489,415	\$155,843,225	\$321,153,011	\$275,969,168
Total State Impact	(\$16,737,721)	(\$101,994,550)	(\$30,457,321)	(\$110,095,938)
Local Funds				
CART - diversion out	(\$40,881,379)	(\$42,296,826)	(\$57,704,551)	(\$63,366,340)
Other - diversion out	(\$51,101,724)	(\$52,871,033)	(\$72,130,688)	(\$79,207,925)
Total Local Impact	(\$91,983,102)	(\$95,167,859)	(\$129,835,239)	(\$142,574,266)

Table 10: Summary (cont.)

State Funds	FY 2027		Fully Implemented	
	Low	High	Low	High
General Revenue - Refund Deduction	Up to (\$600,744)	Up to (\$640,793)	Up to (\$600,744)	
State Road Fund - Diversion Out	(\$342,233,391)	(\$385,286,583)	(\$342,233,391)	(\$385,286,583)
Motor Fuel Tax Fund of 2021				
Diversion in	\$468,812,864	\$527,789,839	\$468,812,864	\$527,789,839
Refund Timing - Itemized	\$0	\$0	\$0	\$0
Standard Refund Claim	(\$192,436,980)		(\$240,546,225)	
Weight Limit Removal	(\$19,073,763)	(\$127,158,422)	(\$19,073,763)	(\$127,158,422)
Net MFTF 2021	\$257,302,121	\$208,194,437	\$209,192,876	\$160,085,192
Total State Impact	(\$85,532,014)	(\$177,732,938)	(\$133,641,259)	(\$225,802,134)
Local Funds				
CART - diversion out	(\$56,257,544)	(\$63,334,781)	(\$56,257,544)	(\$63,334,781)
Other - diversion out	(\$70,321,930)	(\$79,168,476)	(\$70,321,930)	(\$79,168,476)
Total Local Impact	(\$126,579,473)	(\$142,503,257)	(\$126,579,473)	(\$142,503,257)

Oversight does not have information to the contrary and therefore, Oversight will reflect the estimates as provided by DOR. Oversight will reflect the programming costs and mobile application costs to DOR.

Oversight assumes DOR is provided with core funding to handle a certain amount of activity each year. Oversight assumes DOR could absorb the FTE 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:

Section 142.803 – Additional Fuel Tax Diversion

This proposal would divert the additional motor fuel tax levied under Section 142.803.3 to a newly created “Motor Fuel Tax Fund of 2021”. B&P notes that per Article IV, Section 30(a) all motor fuel taxes are distributed to cities, counties, and the State Road Fund.

For the purpose of this fiscal note, B&P will show the impacts of diverting revenues to the new fund. However, B&P is unsure if this proposal would violate Article IV, Section 30(a). B&P also notes that this proposal would divert all of the additional motor fuel tax revenue, including revenues that would have been distributed to local jurisdictions.

This proposal would begin August 28, 2024. B&P notes that motor fuel tax returns are due the second working day of the month (September 3, 2024). Meanwhile, this proposal would require all refund claims under Section 142.822 shall be paid out of the new fund. B&P notes that refund claims for the FY 2023 fuel tax are due between July 1, 2024 and September 30, 2024. This proposal would begin in the middle of refund processing. Therefore, it is quite likely that DOR will be unable to process refund claims for at least two weeks, until the new fund has enough cash to cover refund claims.

In addition, refund claims processed between August 28, 2024 and September 30, 2024 will be taken from the new fund, whereas the original revenue was deposited into other state and local funds.

Based on updated collections and refund data, B&P estimates that this proposal could reduce funding to the State Road Fund by \$340,678,157 to \$352,473,552 in FY 2025. This proposal could also reduce local funding by \$91,983,102 to \$95,167,859 in FY 2025. Once SB 262 (2021) fully implements (FY 2027), this proposal could reduce revenues to the State Highway Fund by \$342,233,391 to \$385,286,583 annually. This could also reduce local revenues by \$126,579,473 to \$142,503,257 annually. Table 1 shows the estimated impact by fund.

Table 1: Estimated Impact from Diverting Additional Fuel Tax by Fund

<u>State Funds</u>	FY 2025		FY 2026	
	Low	High	Low	High
MFTF 2021 - diversion in	\$340,678,157	\$352,473,552	\$480,871,256	\$528,052,836
State Road Fund - diversion out	(\$248,695,055)	(\$257,305,693)	(\$351,036,017)	(\$385,478,570)
Total State Impact	\$91,983,102	\$95,167,859	\$129,835,239	\$142,574,266
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CART - diversion out	(\$40,881,379)	(\$42,296,826)	(\$57,704,551)	(\$63,366,340)
Other - diversion out	(\$51,101,724)	(\$52,871,033)	(\$72,130,688)	(\$79,207,925)
Total Local Impact	(\$91,983,102)	(\$95,167,859)	(\$129,835,239)	(\$142,574,266)

Table 1: Estimated Impact from Diverting Additional Fuel Tax by Fund (cont.)

<u>State Funds</u>	FY 2027	
	Low	High
MFTF 2021 - diversion in	\$468,812,864	\$527,789,839
State Road Fund - diversion out	(\$342,233,391)	(\$385,286,583)
Total State Impact	\$126,579,473	\$142,503,257
<u>Local Funds</u>		
CART - diversion out	(\$56,257,544)	(\$63,334,781)
Other - diversion out	(\$70,321,930)	(\$79,168,476)
Total Local Impact	(\$126,579,473)	(\$142,503,257)

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 2024. 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 2023, total non-highway use refund claims were \$9,954,686. Based on the prevailing fuel tax rates, B&P estimates that refund claims were made for 45,282,564 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 \$13,349,859 by fiscal year 2026. Table 2 shows the estimated amount of non-highway related motor fuel tax refunds through the implementation of SB 262 (2021).

Table 2: Estimated Refunds by Year

Fiscal Year	Non-Highway Use Refunds
2024	\$11,085,051
2025	\$12,219,494
2026	\$13,349,859
2027	\$13,349,859

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 \$532,082 in FY 2025 (tax year 2024, top tax rate 4.8%). Once SB 3 (2022) and SB 262 (2021) fully implement, this proposal could reduce TSR and GR by up to \$600,744 annually. Table 3 shows the estimated impact by top tax rate and year.

Table 3: Estimated Revenue Loss by Fiscal Year

Tax Rate	Tax Year (Fiscal Year)			
	2024 (FY25)	2025 (FY26)	2026 (FY27)	2027 (FY 28)
4.80%	(\$532,082)	(\$586,536)	(\$640,793)	(\$640,793)
4.70%		(\$574,316)	(\$627,443)	(\$627,443)
4.60%			(\$614,093)	(\$614,093)
4.50%				(\$600,744)

Section 142.822 – Increased Motor Fuel Tax Refund

Section 142.822 would allow taxpayers to donate their motor fuel tax refund, for the additional motor fuel tax, to a non-profit entity beginning October 2024. 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 Motor Fuel Tax Fund of 2021, 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 vehicle identification number and seller’s name and address.

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.

Motor Fuel Tax Refunds – Timing and Method (Section 142.822)

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 of 2021, created 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 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 4 shows the change in the refund due date depending on when the motor fuel is purchased.

Table 4: Timing of Refund Claims

Date of Purchase	Fuel Tax Rate	Current Refund Timing		Proposed Refund Timing	
		Date	Fiscal Year	Date	Fiscal Year
7/2023 - 12/2023	\$0.075	7/2024 - 9/2024	FY 2025	1/2024 - 4/2024	FY 2025
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 second round of refund claims was received between July 2023 and September 2023. B&P notes that the \$0.05 increase in the fuel tax during FY 2023 generated refund claims of \$692,396. Using the number of gallons sold, B&P estimates that the additional tax generated \$211,641,930 in motor fuel revenue. Therefore, B&P estimates that highway use refund claims were approximately 0.33% ($\$692,396 / \$211,641,930$) 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 0.33% 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 2025 and FY 2026 for the Motor Fuel Tax Fund of 2021. Using updated refund estimates for SB 262 (2021), B&P estimates that this proposal could increase refunds by \$525,994 to \$24,116,784 in FY 2025, depending on the number of qualifying taxpayers that make refund claims. In FY 2026, refund claims may increase by \$131,498 to \$6,029,196. There will no longer be a cash flow impact by FY 2027.

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 2024. The standard refund would be claimed at the time an individual files their annual tax return. Table 5 shows the amounts of the standard refund by tax year.

Table 5: Standard Refund Amount

Tax Year	Refund
2024	\$30
2025	\$45
2026	\$60
2027	\$75

B&P notes that in tax year 2021, there were 3,207,283 Missouri individual income tax returns filed. Assuming individuals who currently itemize their fuel tax returns continue to do so, B&P estimates that the standard refund may be claimed on 3,207,283 (3,207,283 income tax returns – 10,526 itemized returns). Table 6 shows the estimated income tax claims per year.

Table 6: Income Tax Claims by Year

Tax Year	Fiscal Year	Refund Claim
2024	2025	(\$96,218,490)
2025	2026	(\$144,327,735)
2026	2027	(\$192,436,980)
2027	2028	(\$240,546,225)

Summary

B&P estimates that these provisions could increase refunds from the Motor Fuel Tax Fund of 2021 by \$96,744,484 to \$120,335,274 in FY 2025, 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 Motor Fuel Tax Fund of 2021 by \$240,546,225 annually.

Table 7: Standard and Itemized Refund Impacts

	FY 2025		FY 2026	
	Low	High	Low	High
Standard Refund				
Receipt Refund				
Total				

Table 7: Standard and Itemized Refund Impacts (cont.)

	FY 2027		FY 2028	
	Low	High	Low	High
Standard Refund				
Receipt Refund				
Total				

Rebate Weight Limit Change (Section 142.822)

This proposal would allow motor fuel tax refund claims on fuel purchased for vehicles heavier than 26,000 pounds.

B&P notes that this proposal would become effective August 28, 2024, which is during the motor fuel refund request window of July 1, 2024 through September 30, 2024 for fuel tax purchases between July 2023 and June 2024. 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 2025 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 2023 motor fuel tax collections, B&P estimates that there were 4,232,838,592 gallons of gasoline and diesel purchased during FY 2023. 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 8 shows the updated revenue and refund estimates.

Table 8: Estimated Additional Refunds

	FY 2025	FY 2026	FY 2027
Estimated Collections (prior FY)	\$317,462,894	\$423,283,859	\$529,104,824
Estimated Current 100% Potential Refunds	- \$241,167,841	\$321,557,122	\$401,946,402
Remaining Collections (for non-qualifying MVs)	\$76,295,053	\$101,726,737	\$127,158,422
Estimated Low Additional Refund (15%)	(\$11,444,258)	(\$15,259,011)	(\$19,073,763)
Estimated High Additional Refund (100%)	(\$76,295,053)	(\$101,726,737)	(\$127,158,422)
Estimated Refunds for every 1% uptake	(\$762,951)	(\$1,017,267)	(\$1,271,584)
Estimated Refunds for every 5% uptake	(\$3,814,753)	(\$5,086,337)	(\$6,357,921)

Therefore, B&P estimates that this proposal could increase motor fuel tax refunds by \$11,444,258 to \$76,295,053 in FY 2025. Once fully implemented, this proposal could increase motor fuel tax refunds by \$19,073,763 to \$127,158,422 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 \$6,357,921 once fully implemented.

Table 9: Estimated Impact

State Fund	FY 2025		FY 2026		FY 2027	
	Low (15%)	High (100%)	Low (15%)	High (100%)	Low (15%)	High (100%)
Motor Fuel Tax Fund of 2021	(\$11,444,258)	(\$76,295,053)	(\$15,259,011)	(\$101,726,737)	(\$19,073,763)	(\$127,158,422)

Mobile Rebate Application (Section 142.822)

Section 142.822.9 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 2025 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.

Bill Summary

B&P estimates that this proposal could decrease state revenues by \$16,737,721 to \$101,994,550 and local funds by \$91,983,102 to \$65,167,859 in FY 2025. Once SB 3(2022) and SB 262 (2021) have fully implemented, this proposal may decrease state revenues by \$133,641,259 to \$225,802,134 and local revenues by \$126,579,473 to \$142,503,257. Table 10 shows the estimated impact by fiscal year.

Table 10: Summary

State Funds	FY 2025		FY 2026	
	<u>Low</u>	<u>High</u>	<u>Low</u>	<u>High</u>
General Revenue - Refund Deduction	Up to (\$532,082)		Up to (\$574,316)	Up to (\$583,536)
State Road Fund - Diversion Out	(\$248,695,055)	(\$257,305,693)	(\$351,036,017)	(\$385,478,570)
Motor Fuel Tax Fund of 2021				
Diversion in	\$340,678,157	\$352,473,552	\$480,871,256	\$528,052,836
Refund Timing - Itemized	(\$525,994)	(\$24,116,784)	(\$131,498)	(\$6,029,196)
Standard Refund Claim	(\$96,218,490)		(\$144,327,735)	
Weight Limit Removal	(\$11,444,258)	(\$76,295,053)	(\$15,259,011)	(\$101,726,737)
Net MFTF 2021	\$232,489,415	\$155,843,225	\$321,153,011	\$275,969,168
Total State Impact	(\$16,737,721)	(\$101,994,550)	(\$30,457,321)	(\$110,095,938)
Local Funds				
CART - diversion out	(\$40,881,379)	(\$42,296,826)	(\$57,704,551)	(\$63,366,340)
Other - diversion out	(\$51,101,724)	(\$52,871,033)	(\$72,130,688)	(\$79,207,925)
Total Local Impact	(\$91,983,102)	(\$95,167,859)	(\$129,835,239)	(\$142,574,266)

Table 10: Summary (cont.)

State Funds	FY 2027		Fully Implemented	
	<u>Low</u>	<u>High</u>	<u>Low</u>	<u>High</u>
General Revenue - Refund Deduction	Up to (\$600,744)	Up to (\$640,793)	Up to (\$600,744)	
State Road Fund - Diversion Out	(\$342,233,391)	(\$385,286,583)	(\$342,233,391)	(\$385,286,583)
Motor Fuel Tax Fund of 2021				
Diversion in	\$468,812,864	\$527,789,839	\$468,812,864	\$527,789,839
Refund Timing - Itemized	\$0	\$0	\$0	\$0
Standard Refund Claim	(\$192,436,980)		(\$240,546,225)	
Weight Limit Removal	(\$19,073,763)	(\$127,158,422)	(\$19,073,763)	(\$127,158,422)
Net MFTF 2021	\$257,302,121	\$208,194,437	\$209,192,876	\$160,085,192
Total State Impact	(\$85,532,014)	(\$177,732,938)	(\$133,641,259)	(\$225,802,134)
Local Funds				
CART - diversion out	(\$56,257,544)	(\$63,334,781)	(\$56,257,544)	(\$63,334,781)
Other - diversion out	(\$70,321,930)	(\$79,168,476)	(\$70,321,930)	(\$79,168,476)
Total Local Impact	(\$126,579,473)	(\$142,503,257)	(\$126,579,473)	(\$142,503,257)

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

Officials from the **Missouri Department of Transportation (MoDOT)** assume 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.

Officials from the **Missouri Highway Patrol** and **Office of the State Treasurer** 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.

<u>FISCAL IMPACT – State Government</u>	FY 2025 (10 Mo.)	FY 2026	FY 2027	Fully Implemented (FY 2028)
GENERAL REVENUE FUND				
<u>Cost</u> – DOR – programming changes for various sections p. 5, 6, 8, 9	(\$29,631)	\$0	\$0	\$0
<u>Cost</u> – DOR – mobile application for motor fuel tax refunds (§142.815.10) p. 11	(\$500,000)	\$0	\$0	\$0
<u>Loss</u> – decrease in state taxes paid due to the ability to donate motor fuel tax refunds to charity and claim as a deduction on state taxes (§§142.815, 142.822 & 142.824) p. 6, 15	Up to (\$532,082)	Up to (\$574,316)	Up to (\$627,443)	Up to (\$627,443)
<u>Loss</u> – decrease in state taxes received due to charitable contributions (§142.822) p. 6, 15	\$0 to (Unknown)	\$0 to (Unknown)	\$0 to (Unknown)	\$0 to (Unknown)

<u>FISCAL IMPACT – State Government</u>	FY 2025 (10 Mo.)	FY 2026	FY 2027	Fully Implemented (FY 2028)
ESTIMATED NET EFFECT ON THE GENERAL REVENUE FUND	Could exceed (\$1,061,713)	Could exceed (\$574,316)	Could exceed (\$627,443)	Could exceed (\$627,443)
MOTOR FUEL TAX FUND OF 2021				
<u>Revenue</u> – diversion from the State Road Fund/Cities/Counties (§142.803) p. 4, 13	\$340,678,157 to \$352,473,552	\$480,871,256 to \$528,052,836	\$468,812,864 to \$527,789,839	\$468,812,864 to \$527,789,839
<u>Cash Flow</u> – timing of the motor fuel tax refunds – moved up to CY instead of FY (§142.822) p. 6-7, 15-17	(\$525,994 to \$24,116,784)	(\$131,498 to \$6,029,196)	\$0	\$0
<u>Loss</u> – increase in refunds due to using standard vs. itemized (§142.822) p. 8-9, 17	(\$96,218,490)	(\$144,327,735)	(\$192,436,980)	(\$240,546,225)
<u>Loss</u> – increased motor fuel tax refunds due to the elimination of the weight limit for vehicles to claim refunds (§142.822) p. 9-11, 18-19	(\$11,444,258 to \$76,295,053)	(\$15,259,011 to \$101,726,737)	(\$19,073,763 to \$127,158,422)	(\$19,073,763 to \$127,158,422)

<u>FISCAL IMPACT – State Government</u>	FY 2025 (10 Mo.)	FY 2026	FY 2027	Fully Implemented (FY 2028)
ESTIMATED NET EFFECT ON THE MOTOR FUEL TAX FUND OF 2021	\$155,843,225 to \$232,489,415	\$275,969,168 to \$321,153,012	\$208,194,437 to \$257,302,121	\$160,085,192 to \$209,192,876
STATE ROAD FUND				
<u>Loss - diversion from the State Road Fund/Cities/Counties (§142.803) p. 4, 13</u>	<u>(\$248,695,055 to \$257,305,693)</u>	<u>(\$351,036,017 to \$385,478,570)</u>	<u>(\$342,233,391 to \$385,286,583)</u>	<u>(\$342,233,391 to \$385,286,583)</u>
ESTIMATED NET EFFECT ON THE STATE ROAD FUND	(\$248,695,055 to \$257,305,693)	(\$351,036,017 to \$385,478,570)	(\$342,233,391 to \$385,286,583)	(\$342,233,391 to \$385,286,583)

<u>FISCAL IMPACT – Local Government</u>	FY 2025 (10 Mo.)	FY 2026	FY 2027	Fully Implemented (FY 2028)
LOCAL POLITICAL SUBDIVISIONS				
<u>Loss - diversion from the State Road Fund/Cities/Counties (§142.803) p. 4, 13</u>	<u>(\$91,983,102 to \$95,167,859)</u>	<u>(\$129,835,239 to \$142,574,266)</u>	<u>(\$126,579,473 to \$142,503,257)</u>	<u>(\$126,579,473 to \$142,503,257)</u>
ESTIMATED NET EFFECT ON LOCAL POLITICAL SUBDIVISIONS	(\$91,983,102 to \$95,167,859)	(\$129,835,239 to \$142,574,266)	(\$126,579,473 to \$142,503,257)	(\$126,579,473 to \$142,503,257)

FISCAL IMPACT – Small Business

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

FISCAL DESCRIPTION

This bill creates the "Motor Fuel Tax Fund of 2021", into which the refundable revenue collected under subsection 3 of Section 142.803, RSMo will be deposited. Any money in the Fund not refunded to a motor fuel purchaser within the required time will remain in the Fund and be subject to appropriation by the General Assembly for road and bridge projects for state-owned infrastructure (Section 142.803, RSMo).

Beginning October 1, 2024, this bill authorizes a taxpayer to donate the motor fuel tax refund to a tax-exempt nonprofit entity by providing the entity with all required documentation and a signed statement indicating that the nonprofit is entitled to the taxpayer's refund. The nonprofit entity must submit the documentation and statement, along with proof of its tax-exempt status, to the Director of Revenue. The taxpayer is then entitled to subtract from the taxpayer's Missouri adjusted gross income the amount of the refund donated to the nonprofit (Sections 142.815 and 142.824).

Currently, motor fuel is exempt from fuel tax, and an exemption and refund may be claimed by a taxpayer if the tax has been paid and no refund has been previously issued. These exemptions and refunds are currently issued on a fiscal year basis. Beginning January 1, 2025, exemptions and refunds shall be based on the tax year. To claim an exemption and refund, a person may elect to proceed in one of the following ways:

(1) For a receipt-based exemption and refund, a person shall present a statement containing a written verification that the claim is made under penalty of perjury and that states the total fuel tax paid in the applicable tax year for each vehicle for which the exemption and refund is claimed. The claim statement may be submitted electronically and shall contain information specified in the bill; or

(2) For a standard refund, at the time a person files his or her Missouri income tax return, a person may select to claim the exemption and refund applied as an immediate refund or applied as a credit against the person's Missouri income tax liability. A person claiming a standard refund shall not be entitled to claim a receipt-based refund for the same tax year.

The standard refund shall be allocated as follows:

- (1) For the 2024 tax year, \$30;
- (2) For the 2025 tax year, \$45;
- (3) For the 2026 tax year, \$60;

(4) For all tax years beginning on or after January 1, 2027, \$75.

The Department of Revenue shall provide a form for taxpayers to make clear their election of either a receipt-based exemption and refund or a standard refund. The form shall be filed with the taxpayer's Missouri income tax return and require that certain information be disclosed, as specified in the bill (Section 142.822).

The exemption and refund shall be paid out of the proceeds of the additional tax under Subsection 3 of Section 142.803. If the amount of refunds claimed in a tax year exceeds the tax collected for the tax year, refunds shall be allowed based on the order in which they are claimed (Section 142.822). Currently, the motor fuel tax rebate under Section 142.822 is eligible only for vehicles with a gross weight of 26,000 pounds or less.

This bill extends the eligibility to motor fuel delivered into a motor vehicle with a gross weight over 26,000 pounds if the motor vehicle is owned by a corporation licensed in Missouri with its primary headquarters in this state, or owned by a sole proprietor whose home office is located in Missouri; provided that the corporation or sole proprietor submits documentation that any exemption and refund claimed is based solely on fuel delivered into a motor vehicle while it was operating in Missouri. If the vehicle was operated in multiple states, the submitted documentation must separate the fuel delivered while operating in Missouri and the other states (Section 142.822).

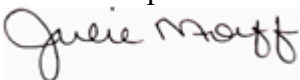
Currently, exemptions and refunds issued for any additional tax on motor fuel are based on a fiscal year. Beginning in fiscal year 2025, they will be based on the tax year.

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 (Sections 142.822 and 142.824).


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 Highway Patrol
Missouri Department of Transportation



Julie Morff
Director
February 28, 2024



Ross Strobe
Assistant Director
February 28, 2024