

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 5999H.011
 Bill No.: HB 2515
 Subject: Motor Fuel; Department of Revenue; Fire Protection; Taxation and Revenue - General; Taxation and Revenue - Sales and Use; Transportation
 Type: Original
 Date: April 15, 2026

Bill Summary: This proposal establishes a motor fuel tax exemption for certain government-owned vehicles when used for public service purposes.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND

FUND AFFECTED	FY 2027	FY 2028	FY 2029
General Revenue*	\$0 or Unknown	\$0 or Unknown	\$0 or Unknown
Total Estimated Net Effect on General Revenue	\$0 or Unknown	\$0 or Unknown	\$0 or Unknown

*Oversight assumes the revenue gain could exceed \$250,000

ESTIMATED NET EFFECT ON OTHER STATE FUNDS

FUND AFFECTED	FY 2027	FY 2028	FY 2029
State Road Fund (1320)*	\$0 or (Unknown)	\$0 or (Unknown)	\$0 or (Unknown)
Total Estimated Net Effect on <u>Other</u> State Funds	\$0 or (Unknown)	\$0 or (Unknown)	\$0 or (Unknown)

*Oversight assumes the revenue loss could exceed \$250,000

Numbers within parentheses: () indicate costs or losses.

ESTIMATED NET EFFECT ON FEDERAL FUNDS

FUND AFFECTED	FY 2027	FY 2028	FY 2029
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)

FUND AFFECTED	FY 2027	FY 2028	FY 2029
Total Estimated Net Effect on FTE	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 2027	FY 2028	FY 2029
Local Government*	\$0	\$0	\$0

*Revenue gain and loss net to zero.

FISCAL ANALYSIS

ASSUMPTION

§142.819 – State Motor Fuel Tax

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

Section 142.819 Motor Fuel Sales Tax Exemption

All motor fuel sold in Missouri is assessed an excise tax. The tax is distributed: 73% to the State Road Fund, 15% to cities and 12% to counties. This proposal would allow a “government-owned vehicle” to be exempt from paying the motor fuel sales tax. This proposal says the vehicle must be used at least 75% of the time for public service purchases. DOR notes that sales tax is not collected on motor fuel, just excise tax.

This proposal does not create a sales tax exemption certificate process, nor does it establish any guidelines for applying for the exemption or auditing of the records of the vehicles nor does it establish a refund procedure for motor fuel distributors.

DOR notes that motor fuel is paid when the motor fuel distributors pull the fuel from the rack. The tax is paid to DOR prior to it being delivered to the retailers. At the pump, when the customers buy the fuel, they are reimbursing the distributor for the amount of tax previously paid.

Under this proposal, the distributors would continue to pay the fuel tax, and the retailers would still need to collect the excise tax from all customers as no exemption process is established. DOR assumes that as currently written, DOR would be unable to implement this proposal.

Officials from the **Office of Administration - Budget and Planning (B&P)** assume this proposal would exempt government operated vehicles from motor fuel tax beginning August 28, 2026. To qualify a vehicle must be owned or leased by the government entity and used at least 75% of the time on essential government functions.

B&P notes that currently only federal government vehicles are exempt from the state motor fuel tax.

Using state expenditure data for FY 2025, at a motor fuel tax rate of \$0.295 the state would save approximately \$2,231,483 in fuel tax costs per year. B&P notes, however, that this would just be redistribution of state funds.

B&P is unable to determine exactly how much revenue could be lost through newly exempt purchases of other government entities in Missouri.

Officials from the **Department of Public Safety - Missouri Highway Patrol (MHP)** assume a projected savings in motor fuel tax in the Highway, General Revenue, and Gaming Funds. However, the Patrol foresees an overall reduction to the Highway Fund and would defer to the Department of Revenue for an impact statement.

Officials from the **Missouri Department of Conservation, Office of Administration, Phelps County Sheriff, St. Louis County Police Department and Kansas City Police Department** 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.

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

Officials from the **City of Kansas City** assume the proposal has a potential positive fiscal impact.

Oversight assumes, based on B&P's response, any savings from not paying motor fuel tax for government operated motor vehicles will be redistributed to other state funds; therefore, Oversight will reflect a \$0 or "Unknown" loss to the State Road Fund and a \$0 or "Unknown" increase to General Revenue. Oversight also assumes any savings to local political subdivisions will result in a decrease in the portion of the motor fuel tax the state allots to cities and counties.

Oversight only reflects the responses that we have received from state agencies and political subdivisions; however, other local political subdivisions, local law enforcement agencies, fire protection districts and ambulance/EMS were requested to respond to this proposed legislation but did not. Upon the receipt of additional responses, Oversight will review to determine if an updated fiscal note should be prepared and seek the necessary approval to publish a new fiscal note. A general listing of political subdivisions included in our database is available upon request.

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. However, the SOS also recognizes that many such bills may be passed by the General Assembly in a given year and that collectively the costs may be in

excess of what the office can sustain with its core budget. Therefore, the SOS reserves the right to request funding for the cost of supporting administrative rules requirements should the need arise based on a review of the finally approved bills signed by the governor.

<u>FISCAL IMPACT – State Government</u>	FY 2027 (10 Mo.)	FY 2028	FY 2029
GENERAL REVENUE			
<u>Revenue Gain</u> - (\$142.819) Government operated motor vehicles not paying motor fuel tax p.4	\$0 to Unknown	\$0 to Unknown	\$0 to Unknown
ESTIMATED NET EFFECT ON GENERAL REVENUE	\$0 to Unknown	\$0 to Unknown	\$0 to Unknown
STATE ROAD FUND (1320)			
<u>Revenue Loss</u> - (\$142.819) Government operated motor vehicles not paying motor fuel tax p.4	\$0 or (Unknown)	\$0 or (Unknown)	\$0 or (Unknown)
ESTIMATED NET EFFECT ON THE STATE ROAD FUND	\$0 or (Unknown)	\$0 or (Unknown)	\$0 or (Unknown)

<u>FISCAL IMPACT – Local Government</u>	FY 2027 (10 Mo.)	FY 2028	FY 2029
LOCAL POLITICAL SUBDIVISIONS			
<u>Revenue Gain</u> - (\$142.819) Government operated motor vehicles not paying motor fuel tax p.4	\$0 to Unknown	\$0 to Unknown	\$0 to Unknown
<u>Revenue Loss</u> - (\$142.819) Government operated motor vehicles not paying motor fuel tax p.4	\$0 or (Unknown)	\$0 or (Unknown)	\$0 or (Unknown)
ESTIMATED NET EFFECT ON LOCAL POLITICAL SUBDIVISIONS	\$0	\$0	\$0

FISCAL IMPACT – Small Business

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

FISCAL DESCRIPTION

This bill exempts motor fuel sold and used to operate government owned vehicles that are primarily used for public service purposes from the motor fuel tax.

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 Conservation
Department of Public Safety - Missouri Highway Patrol
Office of Administration
Office of the Secretary of State
Joint Committee on Administrative Rules
Missouri Department of Transportation
City of Kansas City
Kansas City Police Department
St. Louis County Police Department
Phelps County Sheriff



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