

FISCAL NOTE

Bill #: HB0644

Title: Reduce state fuel tax on ethanol and biodiesel—replacement for tax revenue

Primary Sponsor: Jeff Pattison

Status: Reference Bill

Sponsor signature	Date	Chuck Swysgood, Budget Director	Date
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Fiscal Summary

	<u>FY 2002 Difference</u>	<u>FY 2003 Difference</u>
Expenditures:	0	0
Revenue:	0	0
Net Impact on General Fund Balance:	\$0	\$0

<u>Yes</u>	<u>No</u>		<u>Yes</u>	<u>No</u>	
	X	Significant Local Gov. Impact		X	Technical Concerns
	X	Included in the Executive Budget		X	Significant Long-Term Impacts
	X	Dedicated Revenue Form Attached		X	Family Impact Form Attached

Fiscal Analysis

ASSUMPTIONS:

Department of Transportation

1. Presently, gasohol is taxed at .27 cents per gallon and diesel is taxed at .2775 cents per gallon. HB 644 would set the tax for gasohol at .2295 cents per gallon ($.27 \times 85\% = .2295$) and for bio-diesel at .235875 cents per gallon ($.2775 \times 85\% = .235875$).
2. There were 4,343,796 gallons of gasohol voluntarily reported to the department for FY 2000. The immediate revenue loss from those gallons would be \$175,924 per year.
3. The department is not aware of any bio-diesel presently being sold in the state.
4. For four months (Nov. 1 – Feb 28) each year, the City of Missoula is required to use oxygenated fuel. The oxygenated fuel requirement is a minimum blend of 7.8 percent ethanol blended with gasoline. In addition to the gasohol reported to the department, the City of Missoula consumes approximately 10,300,000 gallons of oxygenated fuel in these four months. Assuming the blend would be increased to attain a 10 percent blend, the loss of revenue would be \$417,150 for those four months.

5. The bill becomes effective “when the net working capital in the highway state special revenue account, excluding any proceeds obtained through debt financing, is at least \$20 million on June 30, 2003.” When the bill does become effective and without any increase in the consumption of gasohol, there would be a loss of revenue of \$593,074 per year (\$175,924 + \$417,150).
6. The number of gasoline gallons reported to the department in FY 2000 was 498,935,573. The 4,343,796 gallons of gasohol from assumption #2 reported to the department are included in this figure. The number of taxable diesel gallons reported to the department in FY 2000 was 191,679,013.
7. It is assumed that for every percentage increase in gasohol and bio-diesel there would be a like percentage reduction in gasoline and diesel since consumers would choose one motor fuel over the other.
8. The revenue impact for every 1 percent increase in gasohol consumption would be \$200,310 per year.
9. The revenue impact for every 1 percent increase in bio-diesel consumption would be \$79,746 per year.
10. There would be a one-time programming cost of \$20,900 for SABHRS and \$13,300 for the motor fuel system for a total one-time cost of \$34,200.
11. There is no connection to the 24-month timeframe in the Alcohol Tax Incentive program. Since there are no plans on file with the department to build an ethanol plant, it is assumed that an ethanol plant will not be operational and producing ethanol in the 2003 biennium.
12. Due to assumptions #5 and #11, there is no fiscal impact in the 2003 biennium.