



GOVERNOR'S OFFICE OF
BUDGET AND PROGRAM PLANNING

Fiscal Note 2015 Biennium

Bill # HB0346

Title: Revise laws governing use of dyed fuels

Primary Sponsor: Salomon, Daniel R

Status: As Introduced

- | | | |
|---|--|--|
| <input type="checkbox"/> Significant Local Gov Impact | <input type="checkbox"/> Needs to be included in HB 2 | <input checked="" type="checkbox"/> Technical Concerns |
| <input type="checkbox"/> Included in the Executive Budget | <input type="checkbox"/> Significant Long-Term Impacts | <input type="checkbox"/> Dedicated Revenue Form Attached |

FISCAL SUMMARY

	<u>FY 2014 Difference</u>	<u>FY 2015 Difference</u>	<u>FY 2016 Difference</u>	<u>FY 2017 Difference</u>
Expenditures:				
General Fund	\$0	\$0	\$0	\$0
Revenue:				
General Fund	\$0	\$0	\$0	\$0
State Special Revenue	(\$111,888)	(\$111,888)	(\$111,888)	(\$111,888)
Net Impact-General Fund Balance:	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

Description of fiscal impact: HB 346 allows the use of dyed (non-taxed) fuel to be used in a motor vehicle that is designed or specially modified for primary use as a farm or ranch vehicle.

FISCAL ANALYSIS

Assumptions:

Department of Transportation (MDT)

- MDT receives approximately 2,400 agricultural tax refund applications annually. It is assumed that this represents about half of the agricultural special fuel users. Therefore, an estimated 4,800 agricultural users of special fuel (diesel) would meet the criteria to use dyed fuel on public roads under this bill.
- Each eligible user will travel an estimated 100 miles per month on public roads using dyed fuel. The fuel economy of these vehicles using dyed fuel is estimated at 10 MPG. Therefore, dyed fuel consumption per user will increase by 120 gallons per year.
- Tax revenue lost is \$159,840 per year (4,800 users X 120 gallons X .2775 (tax rate)).
- The loss in revenue will be partially offset by a reduction in agricultural tax refunds. Agricultural users of special fuel can claim a 60% refund for bulk clear fuel purchases. Allowing dyed fuel to be consumed on public roads will result in lower clear fuel purchases and therefore the amount of fuel eligible for refunds.

5. Reductions in tax refunds is estimated at \$47,952 (2,400 users X 120 gallons X .2775 X 60%)
6. The net reduction in revenue is estimated to be \$111,888 annually (\$159,840 - \$47,952)

	<u>FY 2014</u> <u>Difference</u>	<u>FY 2015</u> <u>Difference</u>	<u>FY 2016</u> <u>Difference</u>	<u>FY 2017</u> <u>Difference</u>
<u>Fiscal Impact:</u>				
<u>Expenditures:</u>				
TOTAL Expenditures	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<u>Funding of Expenditures:</u>				
General Fund (01)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
TOTAL Funding of Exp.	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<u>Revenues:</u>				
General Fund (01)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
State Special Revenue (02)	<u>(\$111,888)</u>	<u>(\$111,888)</u>	<u>(\$111,888)</u>	<u>(\$111,888)</u>
TOTAL Revenues	<u>(\$111,888)</u>	<u>(\$111,888)</u>	<u>(\$111,888)</u>	<u>(\$111,888)</u>
<u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures):</u>				
General Fund (01)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
State Special Revenue (02)	<u>(\$111,888)</u>	<u>(\$111,888)</u>	<u>(\$111,888)</u>	<u>(\$111,888)</u>

Long-Term Impacts:

1. Lost revenue to the Highways State Special Revenue could impact the department’s ability to match available federal funding. The estimated \$111,888 impact of this bill equates to approximately \$750,000 annually in federal participation.

Technical Notes:

1. Internal Revenue Service’s Publication 510, page 18 defines a highway vehicle as any self-propelled vehicle designed to carry a load over public highways, whether or not it is also designed to perform other functions. Page 9 of Publication 510 states that any dyed fuel used by the person for other than a nontaxable use, and the person knew, or had reason to know that the fuel was dyed subjects that person to a federal penalty of the greater of \$1,000 or \$10 per gallon of the dyed diesel fuel involved.
2. Establishing intent or purpose of using dyed fuel on public roads will be difficult, causing confusion and inconsistency in enforcement

Sponsor’s Initials

Date

Budget Director’s Initials

Date