



GOVERNOR'S OFFICE OF
BUDGET AND PROGRAM PLANNING

Fiscal Note 2025 Biennium

Bill information:

SB0508 - Reinvest in provision of biofuels for motorists (Dunwell, Mary Ann)

Status: As Introduced

- Significant Local Gov Impact
 Needs to be included in HB 2
 Technical Concerns
 Included in the Executive Budget
 Significant Long-Term Impacts
 Dedicated Revenue Form Attached

FISCAL SUMMARY

| | <u>FY 2024</u> <u>Difference</u> | <u>FY 2025</u> <u>Difference</u> | <u>FY 2026</u> <u>Difference</u> | <u>FY 2027</u> <u>Difference</u> |
|---|-------------------------------------|-------------------------------------|-------------------------------------|-------------------------------------|
| Expenditures: | | | | |
| General Fund | \$0 | \$0 | \$0 | \$0 |
| State Special Revenue | \$0 | \$0 | \$0 | \$0 |
| Revenue: | | | | |
| General Fund | \$0 | \$0 | \$0 | \$0 |
| State Special Revenue | \$0 | \$0 | \$0 | \$0 |
| Net Impact-General Fund Balance: | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> |

Description of fiscal impact: SB 508 creates five tax credits for the usage, production, and storage of biofuels. Of the five credits, two credits that expired in TY 2022 are restored. There is unlikely to be any significant fiscal impact to the state in the forecast window, however there are investments underway, or planned, that could use these credits in the future. The Department of Transportation does have technical concerns.

FISCAL ANALYSIS

Assumptions:

Department of Revenue

- SB 508 creates five tax credits for the usage, production, and storage of biofuels.
- The oilseed crush facilities tax credit (section 6) and the biodiesel blending and storage tax credit (section 7) were credits that were eliminated as of TY 2022. When these credits were in effect, there was little to no usage most years, These credits would have uncertain usage moving forward.

3. There are not currently any biofuel producers or retailers in the state that at this time that could qualify for and claim the Montana-made biofuel tax credit (section 4) or the biodiesel or bio-lubricant production facility tax credit (section 5). There are announced operations that could potentially use these credits in the future.
4. The biofuel use tax credit (section 2) may be claimed by individual taxpayers who purchase biofuel for use in their vehicles or equipment. The credit would be equal to the cost of the biofuel up to \$500 or a percentage of the cost for a biodiesel blend based on the percentage of biodiesel in the blend. Utilization of this credit is unknown as there are no active producers, or retailers in the state, at this time.
5. The DOR would not incur significant additional cost to administer the credits proposed in this bill.

Montana Department of Transportation (MDT)

6. SB 508 provides income tax credits for biofuel purchased for use by an individual or a business in the taxpayer's vehicles and equipment. Any additional staff time due to an increase in special fuel distributor licensing will be absorbed with existing department resources.
7. Any potential staff time necessary to make changes to MDT's Motor Fuels Tax Refund application will be absorbed with existing department resources.



Long-Term Impacts:

1. There are publicly announced industrial investment and future market activities that would benefit from the SB 508 tax credits once operational. While activity is not anticipated to result in significant tax credit use in the two biennia fiscal note window, there would likely be tax benefits derived from these credits in the future.

Technical Notes:

Montana Department of Transportation (MDT)

1. There are several references to "Montana-made biofuel" however, the term is not defined in the bill.
2. 15-70-433, MCA, defines biodiesel eligible for a \$0.02 per gallon refund on taxes paid as produced entirely from biodiesel ingredients produced in Montana. This distinction is important, as this definition requires all ingredients to be Montana produced, whereas SB 508 could be read as someone who imports the ingredients into Montana and then blends the biodiesel in Montana.
3. SB 508 should refer Montana biodiesel producers and distributors to 15-70-402, MCA, as they could be required to be licensed as a special fuel distributor.

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