



LEGISLATIVE FISCAL OFFICE
Fiscal Note

Fiscal Note On: **HB 615** HLS 21RS 971

Bill Text Version: **ORIGINAL**

Opp. Chamb. Action:

Proposed Amd.:

Sub. Bill For.:

Date: April 27, 2021	11:40 AM	Author: FREIBERG
Dept./Agy.: Revenue/DOTD/OMV		Analyst: Benjamin Vincent
Subject: Fuels Tax; Electric/Hybrid Vehicle Tax; TTF Dedication		

TAX/GASOLINE TAX OR +\$314,000,000 SD RV See Note Page 1 of 2
Adjusts the amount of excise tax levied on gasoline, diesel, and special fuels and levies new taxes on gasoline, diesel, special fuels, and electric and hybrid vehicles

Proposed law reduces the gasoline and special fuels tax of \$0.16 per gallon to \$0.13 per gallon, and reduces it again to \$0.12 per gallon for FY26.

Proposed law implements an additional gasoline and special fuels tax of \$0.13 per gallon or gallon-equivalent in FY22, and increases it by \$0.02 per gallon every two years, eventually reaching \$0.26 per gallon by FY34, and provides restrictions on its use within the Construction Subfund (CSF) of the Transportation Trust Fund (TTF).

Proposed law implements, beginning in FY26, an annual tax of \$400 per electric vehicle and \$275 per hybrid vehicle, to be collected every two years upon registration or renewal, and dedicates the avails to the CSF.

Proposed law requires the Legislative Auditor to audit the operations and efficiency of the Department of Transportation & Development (DOTD), and its use of funds within the CSF.

Effective July 1, 2021.

EXPENDITURES	2021-22	2022-23	2023-24	2024-25	2025-26	5 -YEAR TOTAL
State Gen. Fd.	INCREASE	SEE BELOW	INCREASE	SEE BELOW	INCREASE	
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	\$0
Ded./Other	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	
Federal Funds	\$0	\$0	\$0	\$0	\$0	\$0
Local Funds	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Annual Total						

REVENUES	2021-22	2022-23	2023-24	2024-25	2025-26	5 -YEAR TOTAL
State Gen. Fd.	\$0	\$0	\$0	\$0	\$0	\$0
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	\$0
Ded./Other	\$314,000,000	\$314,000,000	\$391,000,000	\$391,000,000	\$473,000,000	\$1,883,000,000
Federal Funds	\$0	\$0	\$0	\$0	\$0	\$0
Local Funds	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Annual Total	\$314,000,000	\$314,000,000	\$391,000,000	\$391,000,000	\$473,000,000	\$1,883,000,000

EXPENDITURE EXPLANATION

Proposed law allocates revenues raised to numerous types of projects and priorities, implying up to approximately \$598 mil in additional annual projects for which DOTD would be responsible for planning and oversight by FY26. Since CSF monies are effectively prohibited from being used in this way, and traditional TTF revenues are reduced by the bill, state general funds would likely have to support such costs within DOTD to the extent they are incurred.

Additionally, the Dept of Revenue will incur additional costs in the implementation and administration of the new taxes, and change in existing taxes. Additional taxpayer inquires are also likely with frequently changing tax rates. Costs will be incurred in each year where the taxes and dedications change, specifically \$625,000 in FY22, \$308,000 in FY24, \$308,000 in FY26, \$308,000 in FY28, \$308,000 in FY30, \$308,000 in FY32, and \$308,000 in FY34.

Additionally, the Office of Motor Vehicles will incur programming and administration costs to flag and track the number of electric and hybrid-electric vehicles, and collect the new annual taxes on those vehicles. These tax administration costs have not been estimated as of the writing of this analysis.

REVENUE EXPLANATION

Proposed law reduces existing fuels taxes that are dedicated to the TTF while implementing new, gradually-increasing fuels taxes and electric vehicle taxes that are dedicated to the CSF.

The FY22 rate change for gasoline/diesel/special fuels taxes is \$0.10 per gallon or gallon-equivalent, with an anticipated net revenue impact of \$313 mil for FY22. This FY22 net figure includes a TTF reduction of approximately \$94 mil, and a Construction Subfund increase of approximately \$407 mil.

Proposed law additionally levies and dedicates to the CSF an annual tax of \$400 on electric vehicles and \$275 on hybrid-electric vehicles in the state. Official state electric vehicle data is not collected, however industry estimates suggest the 2020 total to be approximately 2,900 such vehicles in the state. These figures imply that this provision would generate approximately an additional annual \$1 million to the CSF.

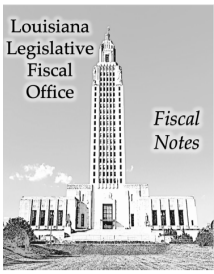
The anticipated net dedicated revenue impact of proposed law is \$314 mil for each of FY22 nd FY23, \$388 mil for for each of FY24 and FY25, and \$465 mil for FY26. A more detailed breakdown of increases to the CSF and reductions to the TTF due to the fuels tax provisions by fiscal year is included on Page 2.

Senate Dual Referral Rules
 13.5.1 >= \$100,000 Annual Fiscal Cost {S & H}
 13.5.2 >= \$500,000 Annual Tax or Fee Change {S & H}

House
 6.8(F)(1) >= \$100,000 SGF Fiscal Cost {H & S}
 6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease {S}

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CONTINUED EXPLANATION from page one:

Detail on proposed fuels tax rate change provisions (in isolation) by years, by dedication:

<u>FY's</u>	<u>TTF rate change</u>	<u>TTF impact</u>	<u>CSF rate change</u>	<u>CSF impact</u>	<u>Net rate change</u>	<u>Net impact</u>
22 & 23	-\$0.03/gal	-\$94 mil	+\$0.13/gal	+\$408 mil	+\$0.10/gal	+\$313 mil
24 & 25	-\$0.03/gal	-\$94 mil	+\$0.15/gal	+\$484 mil	+\$0.12/gal	+\$390 mil
26 & 27	-\$0.04/gal	-\$125 mil	+\$0.18/gal	+\$597 mil	+\$0.14/gal	+\$472 mil
28 & 29	-\$0.04/gal	-\$125 mil	+\$0.20/gal	+\$673 mil	+\$0.16/gal	+\$548 mil
30 & 31	-\$0.04/gal	-\$125 mil	+\$0.22/gal	+\$750 mil	+\$0.18/gal	+\$625 mil
32 & 33	-\$0.04/gal	-\$125 mil	+\$0.24/gal	+\$830 mil	+\$0.20/gal	+\$705 mil
34 & fwd	-\$0.04/gal	-\$125 mil	+\$0.26/gal	+\$912 mil	+\$0.22/gal	+\$787 mil

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