LEGISLATIVE FISCAL OFFICE
Fiscal Note

Louisiana Legislative Fiscal Office Fiscal Notes

Fiscal Note On: **HB 736** HLS 15RS 8
Bill Text Version: **ENGROSSED**
Opp. Chamb. Action:
Proposed Amd.:
Sub. Bill For.:

Date: May 13, 2015 7:24 PM
Author: ORTEGO
Dept./Agy.: Departments of Revenue
Subject: Provides relative to state excise tax on special fuels
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TAX/FUELS, SPECIAL EG INCREASE SD RV See Note

Provides relative to the state excise tax levied on special fuels and for the administration and collection of the tax

Present law provides for taxation of special fuels - including compressed natural gas, liquefied natural gas and liquefied petroleum gas - sold, used or consumed in Louisiana for the operation of motor vehicles licensed or required to be licensed for highway use at the rate of 16 cents per gallon plus an additional tax of 4 cents dedicated to the TIMED Program; and provides for owners and operators of certain vehicles to pay taxes as provided based on gross weight and/or mileage. Proposed law provides that beginning 7/1/15, the tax levied on special fuels shall be converted to a tax levied on a per gallon equivalent based on the special fuel's energy content at specified conversion rates; provides for defining a retail dealer and tax collection responsibilities; provides that the tax shall become part of the sales price; repeals issuance of an annual decal for operators of specified vehicles operating on special fuels; prohibits selling or delivering special fuels without proper licensure; provides for licensure as a special fuels dealer; provides for record keeping and retention; provides for bond requirements; provides for restrictions and revocations of licensure; provides for responsibility to remit taxes to the state; provides for quarterly tax filings; provides for refund claims; provides for notifications; provides for fines, offenses and remedies; provides for phase-out of decals; and provides for search and seizure. Proposed law is effective July 1, 2015.

EXPENDITURES	**2015-16**	**2016-17**	**2017-18**	**2018-19**	**2019-20**	**5 -YEAR TOTAL**
State Gen. Fd.	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	
Agy. Self-Gen.	INCREASE	INCREASE	INCREASE	INCREASE	INCREASE	
Ded./Other	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	
Federal Funds	$0	$0	$0	$0	$0	**$0**
Local Funds	$0	$0	$0	$0	$0	**$0**
Annual Total						

REVENUES	**2015-16**	**2016-17**	**2017-18**	**2018-19**	**2019-20**	**5 -YEAR TOTAL**
State Gen. Fd.	$0	$0	$0	$0	$0	**$0**
Agy. Self-Gen.	INCREASE	INCREASE	INCREASE	INCREASE	INCREASE	
Ded./Other	INCREASE	INCREASE	INCREASE	INCREASE	INCREASE	
Federal Funds	$0	$0	$0	$0	$0	**$0**
Local Funds	$0	$0	$0	$0	$0	**$0**
Annual Total						

EXPENDITURE EXPLANATION

Louisiana Department of Revenue (LDR) - LDR estimates it will realize a one-time expenditure of approximately $432,000 SGF as a result of proposed law, requiring the department to incur programming, testing and system development costs. LDR will be required to identify affected taxpayers, provide for payments and deposits, establish enforcement and monitoring functions, update and create new filing forms, and promulgate rules. Additional indeterminable, recurring expenditures may be required for ongoing monitoring and enforcement activities. This is a substantial cost estimate that may not occur at this level, but the bill does require a new tax collection process, and associated costs are likely to be greater than the typical costs associated with minor routine changes in tax law and procedure.

Parish Transportation Fund - Proposed law provides that the owner of any school bus, including school-boards, used to transport Louisiana students and propelled by one of the affected gases shall pay the tax levied but shall be entitled to a tax credit equal to 50% of the taxes paid. Proposed law provides that reimbursement paid in association with this tax credit shall be paid from each applicable parish's allocation from the Parish Transportation Fund, which will in turn reallocate a portion of that parish's funds used for the Parish Road Program or Mass Transit Program to pay for tax credit reimbursements.

REVENUE EXPLANATION

Proposed law will likely result in an indeterminable increase in tax collections to be deposited into the Transportation Trust Fund (equal to the gasoline tax equivalent of specified fuels sold) and SGR fees (equal to 4/32nds of one cent per gallon of specified fuels delivered into the supply tank of a motor vehicle) credited to LDR to defray expenses connected with inspection, testing and analysing. To the degree that SGR revenues do not cover expenses resultant of proposed law, LDR may require SGF resources. LDR reports that it is unable to assess potential revenues created by proposed law due to no accurate account of the current volume of fuels sold, dispensed or consumed.

Vehicles propelled by compressed natural gas, liquefied natural gas or liquefied petroleum gas currently pay either a flat fee or mileage based, statutorily-defined tax for special decals on an annual basis dependent upon the weight and type of the vehicle:
Vehicles under 10,000 pounds are currently capped at a maximum annual tax of $150. The degree to which there exists any underreporting of miles driven by operators of impacted vehicles, the state will realize an indeterminable tax revenue increase.
Vehicles over 10,000 pounds must currently pay a tax per gallon with a minimum annual of $150. To the degree that these vehicles may drive fewer miles than necessary to generate $150 of annual taxes, the state would realize an indeterminable tax revenue decrease. To the degree that there exists any degree of underreporting of miles driven by operators of impacted vehicles, the state will realize an indeterminable tax revenue increase.

Since the current system largely relies on self-reporting, it is likely to result in less tax revenue than would occur under a system that collects tax based on the actual volumes consumed. Thus, the bill is likely to result in greater tax collections than is currently occurring.

Senate | Dual Referral Rules | House

- [x] 13.5.1 >= $100,000 Annual Fiscal Cost {S&H}
- [ ] 13.5.2 >= $500,000 Annual Tax or Fee Change {S&H}
- [x] 6.8(F)(1) >= $100,000 SGF Fiscal Cost {H & S}
- [ ] 6.8(F)(2) >= $500,000 Rev. Red. to State {H & S}
- [ ] 6.8(G) >= $500,000 Tax or Fee Increase or a Net Fee Decrease {S}

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