

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 1974-02  
Bill No.: HCS for HB 795  
Subject: Motor Fuel; Mining and Oil and Gas Production; Motor Vehicles  
Type: Original  
Date: April 8, 2013

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Bill Summary: This proposal would change the regulation of alternative fuels.

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>			
<b>FUND AFFECTED</b>	<b>FY 2014</b>	<b>FY 2015</b>	<b>FY 2016</b>
General Revenue	(Up to \$1,000,000)	(Up to \$1,000,000)	(Up to \$1,000,000)
<b>Total Estimated Net Effect on General Revenue Fund</b>	<b>(Up to \$1,000,000)</b>	<b>(Up to \$1,000,000)</b>	<b>(Up to \$1,000,000)</b>

Numbers within parentheses: ( ) indicate costs or losses.  
This fiscal note contains 11 pages.

<b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2014</b>	<b>FY 2015</b>	<b>FY 2016</b>
Missouri Alternative Fuel Infrastructure Tax Credit Fund	\$24,863	\$29,835	\$29,835
Highway	(\$18,647)	(\$22,376)	(\$22,376)
<b>Total Estimated Net Effect on <u>Other</u> State Funds</b>	<b>\$6,216</b>	<b>\$7,459</b>	<b>\$7,459</b>

<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2014</b>	<b>FY 2015</b>	<b>FY 2016</b>
<b>Total Estimated Net Effect on <u>All</u> Federal Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

<b>ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)</b>			
<b>FUND AFFECTED</b>	<b>FY 2014</b>	<b>FY 2015</b>	<b>FY 2016</b>
<b>Total Estimated Net Effect on FTE</b>	<b>0</b>	<b>0</b>	<b>0</b>

Estimated Total Net Effect on All funds expected to exceed \$100,000 savings or (cost).

Estimated Net Effect on General Revenue Fund expected to exceed \$100,000 (cost).

<b>ESTIMATED NET EFFECT ON LOCAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2014</b>	<b>FY 2015</b>	<b>FY 2016</b>
<b>Local Government</b>	<b>(\$6,216 to Unknown)</b>	<b>(\$7,459 to Unknown)</b>	<b>(\$7,459 to Unknown)</b>

### **FISCAL ANALYSIS**

#### ASSUMPTION

##### Section 64.196, RSMo. - Building Codes:

This provision would prohibit local building regulations that conflict with state liquified petroleum gas installation regulations.

**Oversight** assumes this provision would have no fiscal impact.

##### Section 135.710, RSMo. - Alternative Fuels:

Officials from the **Department of Revenue (DOR)** note this proposal would make a number of changes in the regulation and taxation of alternative fuels and assume the Department and OA - ITSD (DOR) would need to make programming changes to various tax systems.

DOR officials did not include an estimate of administrative costs for this provision and **Oversight** assumes DOR could absorb the responsibilities of this program with existing resources. If unanticipated costs are incurred or if multiple proposals are enacted which increase the DOR workload, DOR could request resources through the budget process.

ASSUMPTION (continued)

Fiscal impact

DOR officials assume this proposal could reduce state revenues.

**Oversight** notes that according to the Tax Credit Analysis submitted by the Department of Natural Resources regarding this program, the Alternative Fuels tax credit program had the following activity:

	FY 2010	FY 2011	FY 2012
Amount Issued	\$0	\$87,925	\$91,365
Amount Redeemed	\$0	\$23,365	\$45,690

This former tax credit program sunset on August 28, 2012. **Oversight** assumes this part of the proposal would re - enact or extend the sunset on the current Alternative Fuels Credit program until August 28, 2019. This proposal places a \$1 million annual cap on tax credits.

**Oversight** will reflect a loss of revenue to the General Revenue Fund up to the \$1 million annual cap.

Sections 137.010 and 137.100, RSMo. - Exemption from property taxes for Alternative or Renewable Energy:

**Oversight** has no information on the number of such installations or the assessed valuation currently assigned to those installations, and will indicate an unknown reduction in revenue for local governments.

Section 142.800, RSMo. - Additive Definition:

**Oversight** assumes this part of the proposal would not have a fiscal impact.

ASSUMPTION (continued)

Section 142.869, RSMo. - Alternative Fuel Decal:

DOR officials assume the Motor Vehicle Bureau would require 40 hours of overtime by a Management Analyst Specialist I to revise procedures, at a cost of \$1,206 in FY 2014.

DOR officials stated the Application for Special Fuel Decal (DOR-2300) would need to be revised, which would require 40 hours of overtime for a Management Analyst Specialist I, at a cost of \$1,206 in FY 2014. In addition, the Notice of Special Fuel Decal Requirement (Form-3021) would need to be revised which would require 40 hours of overtime for a Management Analyst Specialist I, at a cost of \$1,206 in FY 2014.

DOR officials stated the Department's web site would need to be updated which would require 10 hours of overtime for an Administrative Analyst III, at a cost of \$325 in FY 2014.

DOR officials assume the requirement in section 142.869 would only apply to sales made by licensed Missouri dealers. Currently, licensed dealers submit a monthly sales report although a specific alternative fuel vehicle is not identified. If the intent is for a licensed dealer to identify the sale of qualified alternative fuel vehicles on their monthly sales report, the Dealer Licensing Manual would need to be revised. This would require 40 hours of overtime for a Management Analyst Specialist I, at a cost of \$1,206 in FY 2014. The Dealer Monthly Sales Report (DOR-385) would also need to be revised to include the option to identify a motor vehicle as an alternative fuel vehicle. This would require 40 hours of overtime for a Management Analyst Specialist I, at a cost of \$1,206 in FY 2014.

**Oversight** noted this version of the proposal does not include significant decal fee increases, and assumes the cost of revisions to existing forms, and changes to the procedure manual could be absorbed with existing resources.

Section 142.869 RSMo. - Transfer to Missouri Alternative Fuel Infrastructure Tax Credit Fund:

This provision would require twenty percent of the proceeds from decal sales or collections of non - state road tax to be transferred to the newly created fund.

ASSUMPTION (continued)

**Oversight** notes the Department of Revenue annual report for the year ended June 30, 2012 included alternative fuel decal collections of \$149,175. This version of the proposal includes a fee increase for temporary decals but makes the purchase of a temporary decal optional. Oversight assumes the change in temporary decal fee revenue would be insignificant. Accordingly, Oversight assumes that decal fees and alternative fuel tax revenue would be  $(\$149,175 \times 20\%) = \$29,835$  per year.

<u>Entity</u>	<u>Percentage</u>	<u>FY 2015 and 2016</u>	<u>FY 2014 (10 months)</u>
Highway Fund	75	\$22,376	\$18,647
Cities	15	\$4,475	\$3,729
Counties	<u>10</u>	<u>\$2,984</u>	<u>\$2,487</u>
Total	<u>100</u>	<u>\$29,835</u>	<u>\$24,863</u>

Bill as a Whole

Officials from the **City of Kansas City** assume this proposal would have an undeterminable fiscal impact on their organization.

DOR officials assume this proposal would require form changes and computer programming changes to various tax systems. Taxation Division and Motor Vehicle Division provided an estimated cost of \$18,178 for 672 hours of programming to make changes to various tax systems.

**Oversight** assumes OA - ITSD (DOR) is provided with core funding to handle a certain amount of activity each year. Oversight assumes OA - ITSD (DOR) could absorb the costs related to this proposal. If multiple bills pass which require additional staffing and duties at substantial costs, OA - ITSD (DOR) could request funding through the appropriation process.

Officials from the **Missouri Department of Transportation** deferred to the Department of Revenue for an estimate of the fiscal impact.

ASSUMPTION (continued)

Officials from the **City of St. Louis** assume the loss due to a previous version of this proposal would not be great but could not provide an estimate.

Officials from the **Department of Natural Resources** assume there would be an unknown impact to their organization from this proposal.

Officials from the **Office of the Secretary of State (SOS)** stated many bills considered by the General Assembly include provisions allowing or requiring agencies to submit rules and regulations to implement the act. The SOS is provided with core funding to handle a certain amount of normal activity resulting from each year's legislative session. The fiscal impact for this fiscal note to the SOS for Administrative Rules is less than \$2,500. The SOS recognizes that this is a small amount and does not expect that additional funding would be required to meet these costs. However, the SOS also recognizes that many such bills may be passed by the General Assembly in a given year and that collectively the costs may be in excess of what the office can sustain with the core budget. Therefore, the SOS reserves the right to request funding for the cost of supporting administrative rules requirements should the need arise based on a review of the finally approved bills signed by the governor.

Officials from the **Joint Committee on Administrative Rules** assume this proposal would not have a fiscal impact to their organization in excess of existing resources.

Officials from the **Office of Administration - Division of Budget and Planning**, the **Department of Agriculture**, the **Department of Economic Development - Public Service Commission** and **Office of Public Counsel**, the **Office of State Treasurer**, and the **City of Columbia** each assume there is no fiscal impact to their organization from this proposal.

<u>FISCAL IMPACT - State Government</u>	FY 2014 (10 Mo.)	FY 2015	FY 2016
<b>GENERAL REVENUE FUND</b>			
<u>Revenue Reduction</u> - DOR			
Extension and re-enactment of alternative fuels tax credit Section 135.710	(Up to <u>\$1,000,000</u> )	(Up to <u>\$1,000,000</u> )	(Up to <u>\$1,000,000</u> )
<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>	<b>(Up to <u>\$1,000,000</u>)</b>	<b>(Up to <u>\$1,000,000</u>)</b>	<b>(Up to <u>\$1,000,000</u>)</b>
<b>HIGHWAY FUND</b>			
<u>Transfer out</u> - Missouri Alternative Fuel Infrastructure Tax Credit Fund			
Section 142.869	<u>(\$18,647)</u>	<u>(\$22,376)</u>	<u>(\$22,376)</u>
<b>ESTIMATED NET EFFECT ON HIGHWAY FUND</b>	<b><u>(\$18,647)</u></b>	<b><u>(\$22,376)</u></b>	<b><u>(\$22,376)</u></b>
<b>MISSOURI ALTERNATIVE FUEL INFRASTRUCTURE TAX CREDIT FUND</b>			
<u>Transfer In</u> - Highway Fund and Local Governments			
Section 142.869	<u>\$24,863</u>	<u>\$29,835</u>	<u>\$29,835</u>
<b>MISSOURI ALTERNATIVE FUEL INFRASTRUCTURE TAX CREDIT FUND</b>	<b><u>\$24,863</u></b>	<b><u>\$29,835</u></b>	<b><u>\$29,835</u></b>

<u>FISCAL IMPACT - Local Government</u>	FY 2014 (10 Mo.)	FY 2015	FY 2016
<b>LOCAL GOVERNMENTS</b>			
<u>Revenue reduction - local governments</u>			
Property tax exemption			
Section 137.100	(Unknown)	(Unknown)	(Unknown)
<u>Transfer out - Missouri Alternative Fuel Infrastructure Tax Credit Fund</u>			
Section 142.869			
Cities	(\$3,729)	(\$4,475)	(\$4,475)
Counties	(\$2,487)	(\$2,984)	(\$2,984)
<b>ESTIMATED NET EFFECT ON LOCAL GOVERNMENTS</b>	<b>(\$6,216 to <u>Unknown</u>)</b>	<b>(\$7,459 to <u>Unknown</u>)</b>	<b>(\$7,459 to <u>Unknown</u>)</b>

FISCAL IMPACT - Small Business

No direct fiscal impact to small businesses would be expected as a result of this proposal.

FISCAL DESCRIPTION

This proposal would make changes to the laws regarding alternative fuels. In its main provisions, the bill would:

- \* Prohibit a local building ordinance from conflicting with state the liquefied petroleum gas installation regulations;
- \* Re - authorize from January 1, 2014 to January 1, 2017 the tax credit for alternative fuel stations.

FISCAL DESCRIPTION (continued)

- \* Add stationary property used for generation, transportation, or storage of liquid and gaseous products including petroleum products, natural gas, propane, LP gas, solar and wind power equipment, water, and sewage to the definition of "real property" for property taxation purposes;
- \* Exempt any equipment or property with a retail value of \$50,000 or less that is required for the use, transmission, generation or storage of alternative or renewable energy in an alternative energy operation or alternative fuels used for fleet, transportation, power generation, heat or another application from property taxation as long as the equipment, property, or installation is in working order;
- \* Define "additive" as a substance designed to increase engine power or performance but not capable of propelling the vehicle without the primary fuel;
- \* Add propane or autogas, compressed natural gas, and liquefied natural gas to the definition of "alternative fuel";
- \* Require 80% of the revenue from the alternative fuel decal fees or collections of non-state road tax to be deposited in the Motor Fuel Tax Fund and 20% to be deposited into the Missouri Alternative Fuel Infrastructure Tax Credit Fund under the Department of Natural Resources;
- \* Increase the cost of a temporary fuel decal from \$8 to \$12 and make the use of a temporary decal optional.
- \* Increase the amount a seller of alternative fuel decals can retain from 50 cents to \$2 for each decal fee timely remitted to the Department of Revenue;
- \* Allow a qualified conversion seller or seller of a vehicle with an alternative fuel system in place to pay the road tax on the fuel instead of purchasing an alternative fuel decal;
- \* Require all sales of alternative fuels to be recorded on an invoice with the decal number, motor vehicle license number, and number of gallons put into the vehicle. The invoices must be kept for a minimum of two years; and

FISCAL DESCRIPTION (continued)

- \* Require all sales of alternative fuel-powered vehicles to be reported to the Department of Revenue annually.

The tax credit provisions would sunset six years after their effective date.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Office of the Secretary of State  
Office of State Treasurer  
Joint Committee on Administrative Rules  
Office of Administration  
    Division of Budget and Planning  
Department of Agriculture  
Department of Economic Development  
    Public Service Commission  
    Office of Public Counsel  
Department of Natural Resources  
Department of Revenue  
Department of Transportation  
City of Columbia  
City of Kansas City  
City of St. Louis



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