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# F I S C A L I M P A C T R E P O R T

SPONSOR: Senate Floor DATE TYPED: 3/06/03 HB

SHORT TITLE: Local Option Tax to Fund Rail System SB 666/SFlS

ANALYST: Reynolds-Forte

## APPROPRIATION

| Appropriation Contained | | Estimated Additional Impact | | Recurring or Non-Rec | Fund Affected |
|---|---|---|---|---|---|
| FY03 | FY04 | FY03 | FY04 | | |
| | | | Significant | Recurring | General Fund |
| | | | | | |

(Parenthesis ( ) Indicate Expenditure Decreases)

## REVENUE

| Estimated Revenue | | Subsequent Years Impact | Recurring or Non-Rec | Fund Affected |
|---|---|---|---|---|
| FY03 | FY04 | | | |
| | Indeterminate | | Recurring | Local Government Funds |
| | Indeterminate | | Recurring | Taxation and Revenue Administrative Fee |

(Parenthesis ( ) Indicate Revenue Decreases)

Relates to SB-34 and HB102, which creates the regional transit districts, and to SB420 which creates a local option vehicle gross receipts tax to finance regional transit systems and HB 584, which imposes a local motor vehicle registration fee for transit purposes.

## SOURCES OF INFORMATION

Responses Received From
Taxation and Revenue Department
Highway and Transportation Department
Energy Minerals and Natural Resources Department

## SUMMARY

Synopsis of Bill

The Senate Floor Substitute for Senate Bill 666 authorizes the governing bodies of counties and municipalities to adopt an ordinance to impose a local gasoline tax of up to three cents per gallon to be used for transit and light rail related purposes. The gasoline tax revenues may be used for payment of public transit revenue bonds and acquisition and construction of transit and light rail systems including maintenance, repair of tracks, vehicles and other equipment. The bill requires that the city or county not impose the tax until after an election in which a simple majority of qualified electors voting in the election vote in favor of the local gasoline tax.

The bill allows counties and municipalities to issue revenue bonds for the acquisition, planning, design or construction of, or improvements to, a public transit or light rail system and pledge the revenues from the local gasoline tax for repayment of the bonds.

The Senate Floor Substitute for SB666 requires that an ordinance be imposed on either January 1 or July 1. The Taxation and Revenue Department is required to administer the tax and the county or municipality adopting the ordinance is required to notify the Department five days after passage of the ordinance. The Department is given up to three percent of the tax for administrative cost.

The bill repeals the current County and Municipal Gasoline Tax Act.

## FISCAL IMPLICATIONS

The fiscal impact is dependant upon how many counties/municipalities implement the tax and at what level they implement such tax. The State Highway and Transportation Department has provided Attachment A which shows the impact on each county or municipality should they impose the new gasoline tax.

## ADMINISTRATIVE IMPLICATIONS

The Taxation and Revenue Department believes the substitute will have significant administrative impact on their Department; they will have to develop new forms, instructions and revenue processing systems to handle the new tax. The bill provides that the Department may deduct an amount of up to three percent of the tax as a charge for administrative costs of collection.

The Taxation and Revenue Department is concerned that they will have difficulty determining the accuracy of the reported volumes attributed to each local jurisdiction. Over 100 thousand truckloads of fuel are delivered annually within the state. Accurately tracing the delivery points of all these shipments will be almost impossible. Taxpayers may not be sure enough of jurisdictional boundaries to insure that their reports are accurate. Since the proceeds of the tax will be pledged to bond debt service, this raises the concern that the revenue base may be volatile and subject to unpredictable hard to verify fluctuations.

## TECHNICAL ISSUES

The Taxation and Revenue Department is required to administer the local gasoline tax. In order for the Department to effectively administer the tax, they recommend that changes be made to

Section 5, Subsections B and C as follows:\

B. Within five days after approval by the electorate of a county or municipal local gasoline tax ordinance, the governing body of the county or municipality shall submit a certified copy of the ordinance to the department.
C. An ordinance imposing a county or municipal local gasoline tax shall include an effective date for the tax of January 1 or July 1, whichever date occurs first after the expiration of at least ninety days after the ordinance is approved by the electorate.

**QUESTIONS**

The current County and Municipal Gasoline Tax Act allows local governments to impose a one or two cents per gallon gasoline tax which could be used for transit purposes and contains bonding provisions. How is this new Act different from current law? Could the current County and Municipal Gasoline Tax Act not be used to accomplish these purposes?

PRF/yr:sb:njw/ls
**Attachement**