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FISCAL IMPACT REPORT

ORIGINAL DATE 1/25/06

SPONSOR Miera LAST UPDATED _____ HB 199

SHORT TITLE Eliminate Special Fuels Bulk Storage User Permits SB _____

ANALYST Francis

REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Non-Rec	Fund Affected
FY06	FY07	FY08		
(20.)	(40.)	(40.)	Recurring	State Road Fund

(Parenthesis () Indicate Expenditure Decreases)

SOURCES OF INFORMATION

LFC Files
Taxation and Revenue Department (TRD)

Responses Received From
Taxation and Revenue Department (TRD)
Energy Minerals and Natural Resources (EMNRD)

SUMMARY

Synopsis of Bill

House Bill 199 amends the special fuel supplier deduction from the special fuel excise tax. Specifically, the bill eliminates the special fuel bulk storage user permit and the deduction a supplier gets from having this permit.

FISCAL IMPLICATIONS

The special fuels bulk user permit had a fee of \$10 associated with it so there is an impact for the state road fund and the local road fund. This impact, TRD estimates, is approximately \$40 thousand per tax year in lower permit fees to the state road fund.

OTHER SUBSTANTIVE ISSUES

TRD:

Under present law, the Taxation and Revenue Department is authorized to sell bulk storage

permits for \$10 per year that allow the holder to purchase un-dyed diesel for use in their own agricultural and construction vehicles. Fuel purchased with the permits is not subject to the special fuels tax. The federal government also authorizes tax-free sales of diesel fuel for off-road purposes, but in this case, the fuel must be dyed a different color so that an inspector can easily determine whether fuel intended for off-road use is being used on the roads.

The state's bulk storage permit system is an inefficient way of implementing the fuel tax exemption for off-road uses. The system was implemented at a time when dyed fuel was not available to all potential users. This is no longer the case. By eliminating the bulk storage permits, the state can still allow an exemption for off-road users who use dyed fuel, while improving compliance with the special fuels tax by making it harder to use tax-exempt fuel for un-intended purposes.

NF/yr