

FISCAL NOTE
Requested by Legislative Council
01/25/2007

Amendment to: HB 1348

1A. State fiscal effect: *Identify the state fiscal effect and the fiscal effect on agency appropriations compared to funding levels and appropriations anticipated under current law.*

	2005-2007 Biennium		2007-2009 Biennium		2009-2011 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues				(\$403,200)		(\$403,200)
Expenditures						
Appropriations						

1B. County, city, and school district fiscal effect: *Identify the fiscal effect on the appropriate political subdivision.*

2005-2007 Biennium			2007-2009 Biennium			2009-2011 Biennium		
Counties	Cities	School Districts	Counties	Cities	School Districts	Counties	Cities	School Districts
			(\$147,200)	(\$89,600)		(\$147,200)	(\$89,600)	

2A. Bill and fiscal impact summary: *Provide a brief summary of the measure, including description of the provisions having fiscal impact (limited to 300 characters).*

As amended, this bill replaces the special excise tax of two percent currently imposed on all sales of special fuels, which are exempt from the tax imposed under section 57-43.2-02, with a flat tax of four cents per gallon.

B. Fiscal impact sections: *Identify and provide a brief description of the sections of the measure which have fiscal impact. Include any assumptions and comments relevant to the analysis.*

This bill would result in less revenue being generated for the Highway Tax Distribution Fund anytime the price per gallon for the affected fuels was greater than \$2.00 per gallon, as compared to the current 2% special fuels excise tax provisions.

Conversely, this bill would result in more revenue being generated for the Highway Tax Distribution Fund anytime the price per gallon for the affected fuels was less than \$2.00 per gallon, as compared to the current 2% special fuels excise tax provisions.

The fuels subject to the provisions of this bill consist of the following:

- Special fuel commonly known as diesel fuel which is dyed for federal fuel tax exemption purposes and sold for use as heating fuel or for an agricultural, industrial, or railroad purpose, and
- Special fuel, other than diesel fuel, sold for use as heating fuel or for an agricultural, industrial, or railroad purpose

3. State fiscal effect detail: *For information shown under state fiscal effect in 1A, please:*

A. Revenues: *Explain the revenue amounts. Provide detail, when appropriate, for each revenue type and fund affected and any amounts included in the executive budget.*

Whenever the price of the affected fuel is above \$2.00 per gallon, the revenue generated under the provisions of this bill would be less than would have been generated using the 2% special fuels excise tax provisions. For example, using the average price over the last year of \$2.05 per gallon, at 640,000,000 gallons sold the revenue generated under the present 2% special fuels excise tax provisions would be \$26,240,000. The proposed 4 cent flat tax would generate \$25,600,000. Under this scenario, the Highway Tax Distribution Fund would receive \$640,000 less revenue than would have been generated under the 2 percent special fuels excise tax provisions. This is the scenario used in parts 1A and 1B above.

Conversely, whenever the price of the specified fuels is below \$2.00 per gallon, this bill will result in more revenue

being generated than the 2% special fuels tax revenue structure would generate. For example, using the present 2% tax structure and the latest 5 year average price of \$1.17 per gallon, the current average biennial fuel sales for affected fuels (640,000,000 gallons) would generate approximately \$14,976,000 for the Highway Tax Distribution Fund. However, using the proposed flat tax of four cents per gallon would generate approximately \$25,600,000 for the Highway Tax Distribution Fund. Under this scenario, the Highway Tax Distribution Fund would receive \$10,624,000 more using the proposed tax structure than would have been generated under the current 2% tax structure.

B. Expenditures: *Explain the expenditure amounts. Provide detail, when appropriate, for each agency, line item, and fund affected and the number of FTE positions affected.*

C. Appropriations: *Explain the appropriation amounts. Provide detail, when appropriate, for each agency and fund affected. Explain the relationship between the amounts shown for expenditures and appropriations. Indicate whether the appropriation is also included in the executive budget or relates to a continuing appropriation.*

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