

NORTH CAROLINA GENERAL ASSEMBLY

LEGISLATIVE FISCAL NOTE

BILL NUMBER: HB 125 (1st Edition)

SHORT TITLE: Roll Back Gas Tax

SPONSOR(S): Representative Decker, et al

FISCAL IMPACT					
	Yes (X)	No ()	No Estimate Available ()		
	<u>FY 1997-98</u>	<u>FY 1998-99</u>	<u>FY 1999-00</u>	<u>FY 2000-01</u>	<u>FY 2001-02</u>
REVENUES (\$ Millions)					
Highway Fund					
Recurring	-\$27.9	-\$28.5	-\$25.4	-\$29.7	-\$34.1
Nonrecurring	-0.8	---	---	---	---
Total	-\$28.7	-\$28.5	-\$25.4	-\$29.7	-\$34.1
Highway Trust Fund					
Recurring	-9.3	-9.5	-8.5	-9.9	-11.4
Nonrecurring	-0.2	---	---	---	---
Total	-9.5	-9.5	-8.5	-9.9	-11.4
Total	-38.2	-38.0	-33.9	-39.6	-45.5
EFFECTIVE DATE: July 1, 1997					

BILL SUMMARY: Amends GS 105-449.80 to provide that the motor fuel excise tax rate is 21.4 cents a gallon and makes conforming changes to other statutes within GS 105. New rate is effective July 1, 1997. However, the tax liability of a motor carrier that files an annual report pursuant to GS 105-449.45(b) remains the same until July 1, 1998, and the change in the quarterly refunds to local governmental entities, nonprofit organizations, and taxicabs pursuant to GS 105-449.106 is not effective until Oct. 1, 1997. Also provides that any credit for payments of motor fuel tax pursuant to GS 105-449.39 for tax paid before July 1, 1997 is at the rate presently provided in the statute, and specifies that the 1997 annual refund for off-highway use and use by certain vehicles with power attachments pursuant to GS 105-449.107 shall be one-half of the present rate plus one-half of the amended rate. Further requires that every distributor of motor fuel and every provider of alternative fuel must inventory all fuel on-hand as of July 1,

1997 and report the inventory to Secretary of Revenue by August 1, 1997. The Secretary must refund 1.2 cents per gallon of reported inventory.¹

ASSUMPTIONS AND METHODOLOGY: Motor fuel is currently taxed based on a combined fixed and variable rate per gallon of fuel sold at the terminal rack. The fixed rate is 17.5 cents and the variable rate is equal to 7 percent of the average wholesale price of motor fuel. The current variable rate is 5.1 cents for a combined rate of 22.6 cents per gallon. The proposed act replaces the combined tax rate with a single fixed tax rate of 21.4 cents per gallon.

To determine the revenue loss due to the lower tax rate, the projected gallons of taxable fuel must be multiplied by both the projected rate under current law and the rate under the proposed act. The projected gallons of fuel and projected tax rate under current law are shown below:

Gallons	4,649,361,152	4,746,138,353	4,845,088,070	4,946,263,615	5,049,719,731
Tax Rate in Cents	22.2	22.2	22.1	22.2	22.3

Taxable gallons are projected to grow from 1996-97 levels at the average historical growth rate of 1.81 percent. The variable portion of the tax rate is projected to change in accordance with changes in the refined petroleum price index. Projections of the change in this index are those produced by DRI/McGraw-Hill for the Office of State Budget and Management.

Fuel tax revenues are distributed as follows: 75 percent to the Highway Fund and 25 percent to the Highway Trust Fund. Revenue loss would be distributed in the same manner.

In addition to the revenue loss caused by the change in the tax rate, there is a one-time revenue loss during 1997-98 as the result of a refund of 1.2 cents on the tax paid on all distributor fuel stock on-hand at the time that the new tax rate is effective. An inventory of fuel distributor stock on-hand was last made by the Department of Revenue in 1989 when the Highway Trust Fund legislation was passed. At that time, fuel stocks represented 21 percent of the prior months taxable gallons sold. Applying the same percentage to the projected number of gallons to be sold in June 1997 produces an estimate of fuels stocks on hand July 1, 1997 of 81,837,635 gallons. At 1.2 cents per gallon, \$982,052 would be refunded.

FISCAL RESEARCH DIVISION

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¹ Bill Summary copied from Institute of Government Bill Digest