

GENERAL ASSEMBLY OF NORTH CAROLINA

Session 2005

Legislative Fiscal Note

BILL NUMBER: Senate Bill 356 (First Edition)

SHORT TITLE: Fuel Tax Refund for Off-Road Use by Pumpers.

SPONSOR(S): Senator Hoyle

FISCAL IMPACT					
	Yes (X)	No ()	No Estimate Available ()		
	(\$)				
	<u>FY 2005-06</u>	<u>FY 2006-07</u>	<u>FY 2007-08</u>	<u>FY 2008-09</u>	<u>FY 2009-10</u>
REVENUES					
General Fund	124,461	122,369	118,142	113,016	111,109
Highway Fund	(458,067)	(460,701)	(461,680)	(461,084)	(464,837)
Highway Trust Fund	(152,689)	(153,567)	(153,893)	(153,695)	(154,946)
Local Governments	77,788	76,481	73,839	70,635	69,443
PRINCIPAL DEPARTMENT(S) & PROGRAM(S) AFFECTED: North Carolina Department of Revenue and North Carolina Department of Environment and Natural Resources.					
EFFECTIVE DATE: January 1, 2005.					

BILL SUMMARY:

Adds new GS 105-449.107(b)(7) to allow fuel tax refund for commercial vehicle that uses a power takeoff to remove and dispose of septage and for which an annual fee is paid to Dep't of Environment and Natural Resources under GS 130A-291.1. Effective for motor fuel and alternative fuel consumed on or after January 1, 2005. The refund is equal to the motor fuel tax paid on 33 1/3% of the motor fuel consumed by the vehicle. Motor fuel not taxed by the motor fuels tax is subject to the 6% state and local sales tax. The motor fuels tax refund to the commercial vehicle owner is net of the sales tax payment.

ASSUMPTIONS AND METHODOLOGY: Under G.S. 105-449.107(b) owners of a number of vehicles are allowed an annual refund of a portion of the motor fuels tax paid when fuel was purchased for the vehicle. Generally, the vehicles are those that require the vehicle to run in place a large portion of the time to conduct their work. Examples include concrete mixing vehicles, tank wagons that deliver fuel, and blower trucks.

The legislation adds a new group of vehicles to the refund provision – those that are permitted by the Department of Environment and Natural Resources (DENR) under G.S. 130A-291.1. This statute requires the annual permitting of septage management firms, which includes portable toilet companies, septic tank service companies, and organizations that clean grease traps. The Department also charges a fee based on the number of pumper trucks employed by the organization.

Data from DENR suggest that there are approximately 480 businesses in North Carolina that are permitted under the program. Approximately 40.2% of those businesses operate a single truck, with the balance operating more than one truck. Based on the Department’s database, it is assumed there are approximately 1175 pumper trucks permitted in the state. An annual growth rate of 2.0% is assumed in the number of trucks. Industry representatives indicate average annual usage of 5733 gallons per truck.

The refund is the tax paid on one third of the motor fuel used, minus the sales tax on the average wholesale price of fuel. The Office of State Budget, Planning and Management and other sources provided the projections for average wholesale price of fuel and the average motor fuels tax used in the chart below. The sales tax rate charged on fuel exempt from fuel tax is 6.5% beginning July 1, 2006.

	Trucks	Gallons	Refund on 1/3 of Gallons	Motor Fuels Tax	Average Wholesale Price of Fuel	Motor Fuels Tax Refund	Sales Tax Charge	Net Refund
FY 2005-06	1,175	6,736,275	2,245,425	\$0.2720	\$1.39	\$610,755.60	\$202,249	\$408,507
FY 2006-07	1,199	6,871,001	2,290,334	\$0.2682	\$1.34	\$614,267.44	\$198,850	\$415,417
FY 2007-08	1,222	7,008,421	2,336,140	\$0.2635	\$1.26	\$615,572.93	\$191,981	\$423,592
FY 2008-09	1,247	7,148,589	2,382,863	\$0.2580	\$1.19	\$614,778.65	\$183,651	\$431,128
FY 2009-10	1,272	7,291,561	2,430,520	\$0.2550	\$1.14	\$619,782.66	\$180,553	\$439,230

The refund of motor fuel tax will produce a loss in the Highway Fund and the Highway Trust Fund. The Highway Fund receives 75% of the motor fuels tax and the Highway Trust Fund receives the remaining 25% of the tax. The loss to each fund due to the legislation is shown below.

	Motor Fuels Tax Refund	Highway Fund 75%	Highway Trust Fund 25%
FY 2005-06	\$610,755.60	458,067	152,689
FY 2006-07	\$614,267.44	460,701	153,567
FY 2007-08	\$615,572.93	461,680	153,893
FY 2008-09	\$614,778.65	461,084	153,695
FY 2009-10	\$619,782.66	464,837	154,946

The sales tax deducted from the motor fuel tax refunds will be deposited into the General Fund and distributed to local governments as shown below.

	Sales Tax Charge	General Fund	Local Government
FY 2005-06	\$202,249	\$124,461	\$77,788
FY 2006-07	\$198,850	\$122,369	\$76,481
FY 2007-08	\$191,981	\$118,142	\$73,839
FY 2008-09	\$183,651	\$113,016	\$70,635
FY 2009-10	\$180,553	\$111,109	\$69,443

SOURCES OF DATA: North Carolina Department of Environment and Natural Resources, Office of Management and Budget, US Department of Energy, and affected industries.

TECHNICAL CONSIDERATIONS: None

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Signed Copy Located in the NCGA Principal Clerk's Offices