

Department of Finance and Administration

Legislative Impact Statement

Bill: HB1030

Bill Subtitle: TO PREVENT UNEXPECTED REDUCTIONS IN REVENUES FROM THE WHOLESALE SALES TAXES ON MOTOR FUEL AND DISTILLATE SPECIAL FUEL BY AMENDING THE LAW CONCERNING THE CALCULATION OF THE WHOLESALE SALES TAXES.

Basic Change :

Sponsor: Rep. Jett

HB1030 amends the formula used to compute the wholesale sales tax on motor fuel and distillate special fuel. The current formula compares the most recent 12-month average wholesale selling price for both motor fuel and distillate special fuel to the 12-month average wholesale selling price for the preceding year. If the average selling price for the current year increased over the prior year, the current year average price is multiplied by 1.6% for motor fuel and 2.9% for distillate special fuel to determine the applicable wholesale sales tax for the upcoming calendar year. In no event can the amount of the tax increase by more than one-tenth of one cent in any one calendar year. Current law also provides that if the average price for the current year is less than the average price for the immediately preceding year, the tax rate for the preceding year shall continue to apply.

HB1030 provides that if the average wholesale selling price for either motor fuel or distillate special fuel for the current year is more than the average price for the immediately preceding year, but less than the average price in any year since the tax was first enacted, the tax rate shall continue to be imposed at the rate established in the year the average wholesale selling price was at its highest level. The effect of this bill is to prevent the wholesale sales taxes on motor fuel and distillate special fuel from falling below the tax rate in existence with the tax was first imposed in October 2019.

Revenue Impact :

None.

[If there is a decline in the average wholesale selling price, the rate would remain the same as the previous year's tax rates, eliminating any possible decline in revenue based on a decline in the average selling price of fuel.]

Taxpayer Impact :

No impact based on current taxpayer responsibilities.

Resources Required :

None.

Time Required :

Adequate time is provided for implementation.

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Procedural Changes :

None.

Other Comments :

None.

Legal Analysis :

HB1030 prevents a reduction in the wholesale sales tax rate on motor fuel and distillate special fuel if a specific set of circumstances occur. Current law requires that the tax rates increase if the wholesale price of fuels increase from one year to the next. If the wholesale price of fuels declines from one year to the next, current law provides that the tax rates remain unchanged. The tax rate adjustment is made based on a comparison of current year average wholesale fuel prices to average wholesale fuel prices for the immediately preceding year. Current law did not address the situation where the wholesale price of fuel increased in the first year, declined in the second year, and increased in the third year, but the price increase is not back to the price level of the first year. Under current law, the tax rate would decline in the third year if those circumstances occur. This bill provides that if those circumstances occur, the tax rate would remain at the highest rate previously established by law.