

GENERAL ASSEMBLY OF NORTH CAROLINA



Session

Legislative Fiscal Note

BILL NUMBER: Senate Bill 200 (Second Edition)

SHORT TITLE: Temporary Floor for Motor Fuels Tax Rate.

SPONSOR(S): Senator Jenkins

FISCAL IMPACT					
	Yes (X)	No ()	No Estimate Available ()		
	<u>FY 2009-10</u>	<u>FY 2010-11</u>	<u>FY 2011-12</u>	<u>FY 2012-13</u>	<u>FY 2013-14</u>
REVENUES:	\$50 million	\$17.5 million			
HF and HTF					
EXPENDITURES:					
POSITIONS (cumulative):					
PRINCIPAL DEPARTMENT(S) & PROGRAM(S) AFFECTED: Highway Fund (HF) and Highway Trust Fund (HTF)					
EFFECTIVE DATE: When the bill becomes law.					

BILL SUMMARY: Notwithstanding G.S. 105-449.80(a), provides that for the two year period from July 1, 2009 through June 30, 2011 the variable wholesale rate component of the motor fuel excise tax rate is 12.4 cents per gallon (equivalent to a total motor fuels tax of 29.9 cents per gallon) or 7% of the average wholesale price of motor fuel for the applicable base period, whichever is greater.

ASSUMPTIONS AND METHODOLOGY:

Under current law the motor fuels tax rate will be adjusted on July 1, 2009 from the current rate of 29.9 cents per gallon. The expected calculated tax rate for the FY2009-10 fiscal year as a whole is forecast to be 29.16 cents per gallon, an average of 27.9 cents per gallon from July through December and 30.4 cents per gallon from January through July. (Source: Calculated from Office of State Budget and Management forecast, April 23, 2009) The bill would set the rate for the first six month period at 29.9 cents per gallon, an increase of 2.0 cents per gallon. One penny of motor fuel tax yields approximately \$50 million of revenue per year so the increase in revenue would be 2.0 times \$50 million times one half year, or approximately \$50 million. These revenues go to the

Highway Fund (three quarters) and the Highway Trust Fund (one quarter). In the second six month period the forecast is for a calculated rate of 30.4 cents per gallon, which would be the actual rate under the bill so there would be no change in revenues.

Forecasts for six month periods are not reliable for FY2010-2011. However, the calculated tax rate under current law is forecast to be 29.55 for the full fiscal year. The bill would set the rate at 29.9 cents per gallon, an increase of 0.35 cents per gallon, equivalent to additional revenues of about \$17.5 million.

Table
Difference in Tax Rates and Revenues
Current Law and PCS

Fiscal Year	Forecast of Tax Rate Under Current Law	Tax Rate Under PCS	Difference in Tax Rate	Difference in Total Revenues (HF and HTF)
FY2009-10 July-December	27.9 cpg	29.9 cpg	2.0 cpg	\$50 million
FY2009-10 January-June	30.4 cpg	30.4 cpg	None	None
FY2010-11	29.55 cpg	29.9 cpg	0.35 cpg	\$17.5 million

SOURCES OF DATA: Office of State Budget and Management

TECHNICAL CONSIDERATIONS: None

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