

**NORTH CAROLINA GENERAL ASSEMBLY**

**LEGISLATIVE FISCAL NOTE**

**BILL NUMBER:** Senate Bill 967 (First Edition)

**SHORT TITLE:** Various Motor Fuel Tax Changes - AB

**SPONSOR(S):** Senator Kerr

**FISCAL IMPACT**

**Yes ( )      No ( )      No Estimate Available (X)**

**FY 2001-02   FY 2002-03   FY 2003-04   FY 2004-05   FY 2005-06**

**REVENUES**

Highway Fund/  
Highway Trust Fund

see ASSUMPTIONS AND METHODOLOGY

General Fund

see ASSUMPTIONS AND METHODOLOGY

**EXPENDITURES**

**PRINCIPAL DEPARTMENT(S) &**

**PROGRAM(S) AFFECTED:** Department of Revenue – Motor Fuels Tax Division

**EFFECTIVE DATE:** Sections 3,4, and 5 (credit card company refund) of this act become effective October 1, 2001. The remainder of this act is effective when it becomes law.

**BILL SUMMARY:** This bill makes various technical and administrative changes in the motor fuels tax law.

**ASSUMPTIONS AND METHODOLOGY:** Section 1 of the bill allows the Department of Revenue to provide to the administrator of a national criminal justice system database the name and identifying information of motor carriers whose licenses have been revoked. Since the Department already participates in the State On-Line Enforcement Network (STOLEN) with a dial-up modem, there will be no additional cost for this section. Section 3 allows the Department to refund motor fuels tax directly to a credit card company that pays the tax to a supplier for a sale that is exempt from the motor fuels tax. Under current law, the supplier receives the refund and it must reimburse the credit card company. Sections 4 and 5 impose liability and bond requirements on credit card companies. Sections 2 and 7 make only technical changes.

Only Section 6 has the potential to create a small revenue loss for the Highway Fund/ Highway Trust Fund and a small revenue gain for the General Fund. Section 6 changes the motor fuels tax refund from annual to monthly for those using kerosene in drying crops and manufacturing. Currently a motor fuel distributor charges a manufacturer the motor fuels tax on the kerosene it purchases. At the end of the year, the manufacturer requests a refund of the motor fuel tax paid because it was used for an off road purpose. The Department of Revenue refunds the motor fuel tax minus the sales tax that is owed on kerosene that is not subject to the motor fuels tax. Under Section 6, the motor fuel distributor would not charge the motor fuel tax on kerosene delivered to a manufacturer, but will instead charge the sales tax. The motor fuel distributor will remit this sales tax to the Department of Revenue on a monthly basis. In turn, the motor fuel distributor will request a refund of the motor fuel tax it paid on kerosene that was delivered tax-exempt to the manufacturer. This refund request will be made on a monthly basis to the Department of Revenue. Under this scenario, the General Fund will gain revenue from the acceleration of sales tax payments and the Highway Fund/Highway Trust Fund will lose revenue from the acceleration of motor fuel tax refunds. Unfortunately this revenue gain and loss cannot be estimated because tax refund records are not kept by type of fuel.

**TECHNICAL CONSIDERATIONS:**

**FISCAL RESEARCH DIVISION 733-4910**

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**DATE:** April 20, 2001



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