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F I S C A L I M P A C T R E P O R T

SPONSOR: Rainaldi DATE TYPED: 02/02/01 HB

SHORT TITLE: Gas Tax Deduction for Tribal Distributors SB 119

ANALYST: Williams

REVENUE

Estimated Revenue		**Subsequent Years Impact**	**Recurring or Non-Rec**	**Fund Affected**
FY01	**FY02**			
		$ 7,779.5	Recurring	State Road Fund
		$ 26.5	Recurring	County & Municipal Road Funds
		$ 13.3	Recurring	County Government Road Fund
		$ 1,058.8	Recurring	Municipal Road Fund
		$ 587.5	Recurring	Municipal Arterial Fund
		$ 587.5	Recurring	Aviation Board
		$ 146.9	Recurring	Motor Boat Fuel Tax Bund
		$ 300.0	Recurring	Local Government Road Funds
		$ 600.0	Recurring	Corrective Action Fund

(Parenthesis ( ) Indicate Revenue Decreases)

Duplicates/Conflicts with/Companion to/Relates to

SOURCES OF INFORMATION

LFC Files
Taxation and Revenue Department
Environment Department

No Response

State Highway and Transportation Department
Office of Indian Affairs

SUMMARY

Synopsis of Bill

The bill addresses the issue of gasoline received and sold by registered Indian tribal distributors. The bill would limit the eligibility for the deduction of up to 2,500,000 gallons per month (30 million gallons per year) per tribal distributors certified by the Taxation and Revenue Department prior to January 1, 1997. Under current law, qualifying claimants must sell no less than 1,000,000 gallons from a nonmobile storage container located within the distributor's reservation, pueblo or trust land for resale outside that area from May through August 1998. In addition, the bill changes a reference to a nonmobile gasoline storage container to an applicable facility certified by the department. The effective date of the bill is not specified.

Significant Issues

The term "registered Indian tribal distributor" was initiated in Laws of 1999, Chapter 190. TRD reports no entity was ever certified by TRD to be a "registered Indian tribal distributor" until July 1999.

Currently there are 17 entities certified as "registered Indian tribal distributor". Of these, 15 currently sell only within tribal reservation or pueblo boundaries, while two are selling untaxed gasoline anywhere outside the boundaries. There were 10 "registered gasoline distributors" prior to 1997.

FISCAL IMPLICATIONS

The bill would eliminate the qualifications under which two distributors are each selling up to 30 million of untaxed gasoline. However, because of the lack of an effective date and the lag between June 2001 sales for which taxes are reported in July 2001, the legislation effectively creates a window for continuation of untaxed gasoline sales which could result in virtually no revenue gains in FY01 and FY02. A full year of revenue gains from eliminating the untaxed gasoline sales is shown for FY03. All calculations are based on a total of 60 million gallons for the two distributors.

Note that TRD staff concur with the estimates attributable to the petroleum products loading fee which reflect an additional revenue increase of $300.0 for the local government road fund and $600.0 for the corrective action fund.

ADMINISTRATIVE IMPLICATIONS

TRD notes the bill would reduce administrative costs related to record keeping for the current 30 million gallon per distributor annual limitation.

CONFLICT/DUPLICATION/COMPANIONSHIP/RELATIONSHIP

TECHNICAL ISSUES

TRD recommends an effective date specifying the first day of a month because the tax is collected on a monthly basis. Further, TRD recommends an emergency clause due to the potential for creating a window for continuation of untaxed gasoline sales which could result in virtually no revenue gains in FY01 and FY02.

AW/njw