

March 15, 2016

CORRECTED

The Honorable Marvin Kleebl, Chairperson
House Committee on Taxation
Statehouse, Room 185-N
Topeka, Kansas 66612

Dear Representative Kleebl:

SUBJECT: Corrected Fiscal Note for HB 2631 by House Committee on Taxation

In accordance with KSA 75-3715a, the following corrected fiscal note concerning HB 2631 is respectfully submitted to your committee.

HB 2631 would allow owners of ready-mixed concrete vehicles to claim a motor fuel tax refund that is calculated by a method that is detailed by the Department of Revenue or based on the amount of tax levied on 22.0 percent of the fuel consumed by the vehicle.

The Department of Revenue estimates that HB 2631 would decrease motor fuel tax revenues by \$373,913 in FY 2017. Because motor fuel taxes are distributed to the State Highway Fund and the Special City and County Highway Fund, the bill is estimated to reduce revenues to these two funds by \$248,166 and \$125,747, respectively. To formulate this estimate, the Department of Revenue reviewed data on ready-mixed concrete trucks operating in Kansas from the Kansas Ready Mixed Concrete Association (KRMCA). The KRMCA data indicated that there are 1,330 ready-mixed concrete trucks operating in Kansas. The average annual diesel fuel consumption for each ready-mixed concrete truck is approximately 6,000 gallons. The motor fuel tax on diesel is \$0.26 per gallon. Based on the 22.0 percent refund of the fuel consumed, the Department estimates the bill would reduce motor fuel taxes by approximately \$456,456 in FY 2017 (1,330 trucks x 6,000 gallons x \$0.26 motor fuel tax x 22.0 percent tax refund rate). However, six companies with approximately 175 ready-mixed concrete trucks submitted a total of \$82,542 in refund claims in FY 2015 from the current motor fuel tax refund procedure. If similar results would be refunded in the future, the bill is estimated to reduce motor fuel taxes by approximately \$373,913 in FY 2017 (\$456,456 from new refund percentage minus \$82,543 from the current refund procedure). The Department indicates that the administrative cost to implement the bill would be negligible and could be absorbed within existing resources. In the original fiscal note issued, the Department used an imprecise estimate of the amount of ready-mixed concrete trucks operating in the state and the average amount of diesel that each truck consumes to estimate the fiscal effect.

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The Kansas Department of Transportation (KDOT) indicates that the bill would reduce state revenues to the State Highway Fund as noted above. KDOT indicates that when the state receives lower State Highway Fund dollars it may be required to make corresponding reductions to planned expenditures for projects funded under the comprehensive transportation plan, known as T-WORKS.

The Kansas Association of Counties and the League of Kansas Municipalities indicate that the bill would provide a net reduction in motor fuel tax revenue distributions to the Special City and County Highway Fund that are used in part to finance local street and highway projects. Any fiscal effect associated with HB 2631 is not reflected in *The FY 2017 Governor's Budget Report*.

Sincerely,

A handwritten signature in black ink, appearing to read "Shawn Sullivan", with a horizontal line extending to the right.

Shawn Sullivan,
Director of the Budget

cc: Jack Smith, Department of Revenue
Ben Cleeves, Transportation
Larry Baer, League of Municipalities
Melissa Wangemann, Association of Counties