

HOUSE OF REPRESENTATIVES STAFF ANALYSIS

BILL #: HB 989

Motor Fuel Taxes

SPONSOR(S): Detert

TIED BILLS:

IDEN./SIM. BILLS: SB 1932 (s)

REFERENCE	ACTION	ANALYST	STAFF DIRECTOR
1) Transportation Committee	15 Y, 0 N	Pugh	Miller
2) Finance & Tax Committee		Noriega	Diez-Arguelles
3) State Infrastructure Council			
4) _____			
5) _____			

SUMMARY ANALYSIS

This bill provides a refund of motor fuel taxes paid on fuel for vehicles and equipment used exclusively for commercial aviation on commercial airport properties.

The bill specifies that the motor fuel tax refund will be retroactive to the last three calendar years for initial applicants.

The refunds are conditioned on the requirement that no amount of the fuel was used in any vehicle or equipment operated on state highways.

The Revenue Estimating Conference has estimated that this bill will have a negative fiscal impact of \$0.4 million to state government and \$0.2 million to local governments in FY 2006-07. In FY 2007-08, the fiscal impact to state government is estimated to be a negative \$0.1 million, along with an insignificant negative fiscal impact to local governments. Most of the refunds will impact the State Transportation Trust Fund.

The bill has an effective date of July 1, 2006.

FULL ANALYSIS

I. SUBSTANTIVE ANALYSIS

A. HOUSE PRINCIPLES ANALYSIS:

Ensure Lower Taxes: This bill provides a refund of motor fuel taxes paid on fuel for vehicles and equipment used exclusively for commercial aviation on commercial airport properties.

B. EFFECT OF PROPOSED CHANGES:

Background

Florida collects several different types of motor fuel taxes, most of which are used to finance state highway and other transportation projects. Motor fuel taxes are expected to generate more than \$2.2 billion in revenues in fiscal year 2005-2006.¹

Section 206.41, F.S., lists the major motor fuel taxes, their uses, and their distributions. This section also authorizes refunds of certain motor fuel taxes to persons who purchase fuel for use in vehicles and equipment used exclusively on farm property, who purchase fuel for commercial fishing vessels and equipment never operated on public highways, and who purchase fuel for vessels and equipment used exclusively in aquaculture operations that is never operated on public highways. These refunds totaled \$326,000 in FY 2003-04.²

The three motor fuel taxes which are refunded are: the motor fuel sales tax, the State Comprehensive Enhanced Transportation System Tax (SCETS), and the local-option fuel tax.

The Department of Revenue (DOR) has long-established programs for collecting and, where authorized, refunding fuel tax revenues. Applications for refunds must be accompanied by a completed application, and applicants are directed to retain all invoices and receipts of fuel purchases in the event that DOR decides to audit or inspect these records.

Effect of Proposed Changes

This bill amends s. 206.41(4)(c), F.S., to provide that persons who own vehicles and equipment used exclusively for commercial aviation purposes, and which are never used on public highways, are eligible for motor fuel tax refunds. The type of vehicles and equipment that are envisioned as qualifying for the refund include the vehicles known as "tugs" that deliver luggage, concessions, and other products to airplanes, as well trucks that never leave the airport property, generators, landscaping equipment used exclusively on airport property, and safety and rescue equipment.

The bill defines motor fuel used for "commercial aviation purposes" as that which is used in the operation of aviation ground support vehicles or equipment, and which is not used in any vehicle or equipment driven or operated upon the public highways of this state.

Initial refund applications under this new aviation category shall be eligible for a refund equal to the three previous calendar years of fuel taxes paid, from the date of application.

DOR estimates that 101 companies are eligible for the refunds.

C. SECTION DIRECTORY:

¹ 2005 Florida Tax Handbook, page 86. On file with the House Transportation Committee.

² ibid, page 91.

Section 1. Amends s. 206.41, F.S., by providing a refund for any motor fuel used for commercial aviation purposes; provides a definition for "commercial aviation purposes"; provides that initial refund applications must apply retroactively to the previous three calendar years from the date of the application.

Section 2. Provides an effective date of July 1, 2006.

II. FISCAL ANALYSIS & ECONOMIC IMPACT STATEMENT

A. FISCAL IMPACT ON STATE GOVERNMENT:

1. Revenues:

The Revenue Estimating Conference has estimated that this bill will have the following negative fiscal impact on state government:

	<u>2006-07</u>	<u>2007-08</u>
General Revenue	(Insignificant)	(Insignificant)
State Trust	<u>(0.4m)</u>	<u>(0.1m)</u>
Total	(0.4m)	(0.1m)

The applicable trust fund in this case is the State Transportation Trust Fund.

2. Expenditures:

None.

B. FISCAL IMPACT ON LOCAL GOVERNMENTS:

1. Revenues:

The Revenue Estimating Conference has estimated that this bill will have the following negative fiscal impact on local governments:

	<u>2006-07</u>	<u>2007-08</u>
Total Local Impact	(0.2m)	(Insignificant)

2. Expenditures:

None.

C. DIRECT ECONOMIC IMPACT ON PRIVATE SECTOR:

Private companies doing business on airport property, and which purchase fuel for vehicles that never leave airport property, will receive a refund of taxes paid in the past three years and will be exempt from paying motor fuel taxes in the future.

D. FISCAL COMMENTS:

None.

III. COMMENTS

A. CONSTITUTIONAL ISSUES:

1. Applicability of Municipality/County Mandates Provision:

The mandates provision appears to apply because the bill reduces the authority that counties have to raise revenues through local option fuel taxes; however, the amount of the reduction is insignificant and an exemption applies. Accordingly, the bill does not require a two-thirds vote of the membership of each house.

2. Other:

None.

B. RULE-MAKING AUTHORITY:

It appears that DOR has sufficient existing rule-making authority to implement the provisions of this bill. The agency has indicated that it may provide the refund application and filing procedures by rule.

C. DRAFTING ISSUES OR OTHER COMMENTS:

In its analysis of this bill, DOR writes:

“The term ‘aviation ground support vehicles’ could include vehicles registered to use public highways by the Department of Highway Safety and Motor Vehicles. Since the bill authorizes refunds retroactively to 3 years prior to the date of the initial application, without either a clear definition of the term ‘aviation support vehicles’ or a list of qualifying aviation ground support vehicles being included in the bill language, it would be difficult for the Department (of Revenue) to verify that gallons of motor fuel, for which a refund application is submitted, are gallons actually used in qualifying vehicles.”

In addition, DOR suggests the following clarifying language for the term “commercial aviation purposes”:

“Motor fuel used in the operation of aviation ground support vehicles or equipment that is used exclusively at an airport, and no part of which fuel is used in any vehicle or equipment which has been authorized by the Department of Highway Safety and Motor Vehicles to be driven or operated upon the public highways of this state.”

IV. AMENDMENTS/COMMITTEE SUBSTITUTE & COMBINED BILL CHANGES

None.