

HOUSE OF REPRESENTATIVES STAFF ANALYSIS

BILL #: HB 989 CS

Motor Fuel Taxes

SPONSOR(S): Detert

TIED BILLS:

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

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REFERENCE	ACTION	ANALYST	STAFF DIRECTOR
1) Transportation Committee	15 Y, 0 N	Pugh	Miller
2) Finance & Tax Committee	6 Y, 0 N, w/CS	Noriega	Diez-Arguelles
3) State Infrastructure Council			
4) _____	_____	_____	_____
5) _____	_____	_____	_____

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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 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 \$0.2 million to state government and an insignificant negative fiscal impact to local governments in both FY 2006-07 and FY 2007-08. Most of the fiscal impact will affect the State Transportation Trust Fund.

The bill provides 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.<sup>1</sup>

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.<sup>2</sup>

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.

DOR estimates that 101 companies are eligible for the refunds.

### C. SECTION DIRECTORY:

Section 1. Amends s. 206.41(4), F.S., by providing a refund for any motor fuel used for commercial aviation purposes; provides a definition for "commercial aviation purposes."

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

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

<sup>2</sup> ibid, page 91.

## 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>(0.2m)</u>	<u>(0.2m)</u>
Total	(0.2m)	(0.2m)

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	(Insignificant)	(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 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 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**

On April 4, 2006, the Finance and Tax Committee adopted one amendment to the bill. This amendment removed the retroactive refund provision for the last three calendar years for initial applicants.

The bill was then reported favorably with a committee substitute, and this analysis reflects the changes contained in the amendment adopted by the Finance and Tax Committee.