

**NORTH CAROLINA GENERAL ASSEMBLY**

**LEGISLATIVE FISCAL NOTE**

**BILL NUMBER:** SB 1230 (Conference Report)

**SHORT TITLE:** Motor Fuel Tax Changes

**SPONSOR(S):** Senators Kerr, Hoyle, & Hartsell  
Representatives Brawley, Buchanan, Sexton, & Hill

**FISCAL IMPACT**

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

**FY 1998-99   FY 1999-00   FY 2000-01   FY 2001-02   FY 2002-03**

**REVENUES**

Highway Fund

Motor Carrier Refunds      (\$240,000)    (\$240,000)    (\$240,000)    (\$240,000)    (\$240,000)

Penalty for Non-reporting  
of sale

Potential revenue gain - no estimate available

**PRINCIPAL DEPARTMENT(S) &**

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

**EFFECTIVE DATE:** The change made in section 1 applies to credits generated from reports filed by motor carriers for the reporting period beginning July 1, 1998. Section 7 (penalty) is effective January 1, 1999. Sections 3, 8 and 9 apply to kerosene sold on or after July 1, 1998. The remaining sections are effective when the bill becomes law.

**BILL SUMMARY:** The bill provides automatic refunds of motor fuel taxes to motor carriers each quarter, clarifies the taxation of kerosene, and makes other changes in the motor fuel tax laws.

**ASSUMPTIONS AND METHODOLOGY:**

The following sections of SB 1230 PCS have a fiscal impact:

## **Section 1**

A motor carrier operating in North Carolina is taxed on the amount of motor fuel it uses in the state and is entitled to a credit for the motor fuels tax it paid on purchases made in the state. Under current law, a carrier has two years to request a refund when its tax credits exceed its tax liability. If the motor carrier fails to request a refund within two years of tax payment, then the Department of Revenue keeps the overpayment. From 1990 to 1996, the Department of Revenue earned \$6 million or approximately \$83,300 per quarter from lapsed refunds. Since the complete implementation of the International Fuel Tax Agreement (IFTA) in 1996, motor carriers have been more aggressive in seeking refunds owed to them. Based on a review of the second quarter of 1997, the amount of lapsed refunds was down to \$60,000. **Under this bill, carriers would automatically receive refunds and the Highway Fund would no longer receive \$240,000 in unanticipated revenues from lapsed refunds each year.**

## **Section 7**

This section imposes a new \$250 penalty on licensed distributors or licensed importers who deduct an exempt sale when paying the excise tax to a supplier and then fail to report the exempt sale when filing a reconciling return. **The Department anticipates a revenue gain from this penalty, but cannot estimate the amount.**

**FISCAL RESEARCH DIVISION (733-4910)**

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**APPROVED BY:** Tom Covington

**DATE:** August 27, 1998



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