

# MICROFILM DIVIDER

OMB/RECORDS MANAGEMENT DIVISION

SFN 2053 (2/85) 5M



ROLL NUMBER

DESCRIPTION

1348

2007 HOUSE FINANCE AND TAXATION

HB 1348

# 2007 HOUSE STANDING COMMITTEE MINUTES

Bill/Resolution No. 1348 A

## House Finance and Taxation Committee

Check here for Conference Committee

Hearing Date: January 22, 2007

Recorder Job Number: 1513

Committee Clerk Signature

*Miaaki Schmidt*

### Minutes:

Chairman Belter opened the hearing on HB1348.

**Rep. John Wall: (See attachment #1 & #2-amendment)** In all honesty with the current grade of red dye diesel fuel, the excise tax under this Bill would be higher, at least higher than the current formula of 2%. However, the 4 cents a gallon formula will offer more protection if the price is spiked upwards.

**Rep. Chuck Damschen:** I just want to stand in support of 1348. I like it better with the 4 cent tax than the option of 2%, but I understand the reason for the amendment.

**Woody Barth, North Dakota Farmers Union:** We stand in support of the Bill as amended.

**Kevin Schots, Tax Commissioners Office:** Our office is actually neutral on this Bill. Mike Rud had to attend another Bill and he asked if it would be possible if I could just indicate to the committee that his legislative group ND Petroleum Marketers Association was in support of this Bill.

**Representative Headland:** Has it been looked at how much of this special fuel that Railroads use and what kind of impact that has on the highway distribution fund?

**Kevin Schots:** We do have some placed on numbers for the railroad at this time I don't know what they are.

**Chairman Belter:** Rep. Wall mentioned that there is a problem with retailers and the Tax Department if we would go to the 2% but not to exceed 4 cents a gallon, can you explain what that problem is?

**Kevin Schots:** The biggest concern is in a month order, the price is border line where they would have to report some of the 4 cents, and some of it would be 2% and trying to keep track of that. And another thing is that they indicated that their systems could be set up to do only one or the other, but it would be a big impact and cost to them in trying to find a system that can do both at the same time.

**Chairman Belter:** Is the tax applied when the truck delivers it or is it at the rack?

**Kevin Schots:** It's taxed at the pump where the distributor sells it to a retailer. So it is the field distributor that reports the tax.

**Chairman Belter:** Currently every receipt that is turned in has a different tax on it depending upon what the price of fuel is. Why would this be so difficult unless you get capped out at 4?

**Kevin Schots:** That was the problem of doing the cap. They indicated that their system right now calculates 2% of the price and the tax. They would have to switch it; so many gallons times 4 cents rather than 2% value. So they're switching from a price based calculation to a volume based calculation.

**Vice Chairman Drovdal:** I'm looking at the proposed amendments which say to overstrike 2% but not exceeding. I read this as a special excise tax of 4 cents per gallon. Which would mean on a 3 dollar gallon of fuel, it would be 12 cents due, and if you left the old one at 2%, there would be 6 cents to it, am I misreading this amendment?

**Chairman Belter:** Any other testimony in support of 1348; opposition; neutral?

**Rep. John Wall:** Ok, the question is; 3 dollars a gallon on 2% versus 4 cents a gallon. 4 cents a gallon, the tax would be 4 cents. 2% at 3 dollars would be 6 cents.

**Chairman Belter:** Any other questions? Testimony? We'll close the hearing on 1348.

**Mike Rud, ND Petroleum Marketers Association:** Our marketers had some concerns about the 2% versus the 4 cents black tax. It's not going to be possible on our software so we went to the Tax Dept. and that's how we came to the 4 cents and it works and we stand in support of 1348 amended.

**Chairman Belter:** Any other testimony? We'll close the hearing on HB 1348.

# 2007 HOUSE STANDING COMMITTEE MINUTES

Bill/Resolution No. 1348 B

## House Finance and Taxation Committee

Check here for Conference Committee

Hearing Date: January 22, 2007

Recorder Job Number: 1586

Committee Clerk Signature

*Mickie Schmidt*

Minutes:

Chairman Belter opened the hearing on HB 1348. This is Rep. Wall's Bill that fixes the special fuels excise tax.

**Representative Brandenburg:** I move a Do Pass.

**Vice Chairman Drovdal:** Second it.

**Chairman Belter:** Is there any discussion?

**Representative Froseth:** If we pass this and don't have to eliminate the 2% excise tax on home heating fuels, these two Bills are going to overlap.

**Chairman Belter:** No, these two Bills are different because this special fuels tax that we're talking about here is the tax on fuel that farmers burn in their tractors, fuel that construction companies use on the road, railroads, and diesel fuel. The special fuel in Rep. Carlson's Bill is just the tax on natural gas and diesel fuel that is used for home heating.

**Representative Froseth:** The price drops under \$2 dollars?

**Chairman Belter:** Yes

**Representative Pinkerton:** The farmers really need the assistance here. This broad tax break catches everyone, not just farmers. Would this be better served if we allowed the farmer to

apply for a rebate from the State to prove their purchases? It would probably cut the expense of this Bill down about a third or two, maybe half.

**Representative Brandenburg:** The railroad would probably come in and say that we're not treating them the same. It's a matter of treating everybody the same on this Bill.

**Representative Pinkerton:** With the price of construction and what they are doing, there's no lack of profit in road construction and the BN has tripled in the last 5 or 6 years.

**Chairman Belter:** If we pass this Bill, you can buy diesel @ \$1.85 right now, so 4% is less than 4 cents. I'm sure that RR fuel right now is much cheaper than what farmers are paying because they use a real heavy less refined oil.

**Vice Chairman Drovdal:** I like it because it treats it the same as we treat gas, and diesel that we use in vehicles, at so much tax per gallon. I'd like to offer an amendment onto this Bill that makes it 4%.

**Representative Wrangham:** I thought it was already amended.

**Chairman Belter:** Yes, we do need to put that amendment on.

**Representative Brandenburg:** I'll withdraw my motion.

**Vice Chairman Drovdal:** I'll withdraw my motion.

**Chairman Belter:** Would you like to get some information Rep. Pinkerton?

**Representative Pinkerton:** If the committee feels that it's not going to matter, then there's no point in making extra work. I'll support it as it is.

**Chairman Belter:** I don't think we can take the RR out of this.

**Representative Froseth:** Can't you apply for a refund on Ag fuels?

**Chairman Belter:** No, there is no rebate for special fuels.

**Vice Chairman Drovdal:** I'll move the amendment 78288.0201.

**Representative Brandenburg:** Second it.

**Chairman Belter:** Any discussion? If not, all those in favor signify by saying aye. The motion carries. I would entertain a motion on the Bill.

**Representative Brandenburg:** I move a Do Pass as Amended.

**Vice Chairman Drovdal:** Second it.

**Chairman Belter:** Any discussion? Will the clerk read the roll; 12-y, 1-n, 1-absent; Rep. Headland will carry the Bill. We'll close the hearing on HB 1348.

# 2007 HOUSE STANDING COMMITTEE MINUTES

Bill/Resolution No. 1348 C

## House Finance and Taxation Committee

Check here for Conference Committee

Hearing Date: January 23, 2007

Recorder Job Number: 1706

Committee Clerk Signature

*Mickie Schmidt*

### Minutes:

Chairman Belter opened the hearing on HB 1348. We passed this out of committee yesterday and I would ask that we reconsider that because we need to rerefer it to Appropriations, so I call for a motion to reconsider the motion.

**Vice Chairman Drovdal: I move that we reconsider our action for a Do Pass on HB 1348.**

**Representative Grande: Second it**

**Chairman Belter:** All those in favor signify by saying aye. The motion carries.

**Vice Chairman Drovdal: I move a Do Pass and rerefer to Appropriations.**

**Representative Grande: Second it.**

**Representative Froseth:** Do the amendments stay on?

**Chairman Belter:** Yes

**Vice Chairman Drovdal: Do Pass as Amended and rerefer to Appropriations.**

**Representative Headland:** Do I remain the carrier of this Bill?

**Chairman Belter:** Yes. Is there any discussion? Will the clerk read the roll; 14-y, 0-n, 0-absent; Rep. Headland will carry HB 1348. Closed the hearing on HB 1348.

## 2007 HOUSE STANDING COMMITTEE MINUTES

Bill/Resolution No. 1348 D

### House Finance and Taxation Committee

Check here for Conference Committee

Hearing Date: January 29, 2007

Recorder Job Number: 2185

Committee Clerk Signature *Micki Schmidt*

### Minutes:

Chairman Belter opened the hearing on HB 1348. We brought this one back. We did a Do Pass on this and rerefered it to Appropriations. What we overlooked the fact that this would also change and make a flat tax of 4% on propane. So it substantially raises the tax on propane. There are two things we can do, bring it back to the committee and rework it or give it to Appropriations and let them vote a Do Not Pass on it. What are the committee's wishes? Do we want to pass the Bill and leave a flat 4 cents on the diesel fuel, and I can have some amendments prepared and take those to Appropriations and fix the problem or I can recommend to Appropriations, don't fix the problem and we'll bring it back here and either fix it put a Do Not Pass on it.

**Representative Headland:** I would like to see us bring the Bill back and kill it here.

**Chairman Belter:** I will talk to the Speaker and see if we can get it back.

# 2007 HOUSE STANDING COMMITTEE MINUTES

Bill/Resolution No. 1348 E

## House Finance and Taxation Committee

Check here for Conference Committee

Hearing Date: January 31, 2007

Recorder Job Number: 2367

Committee Clerk Signature

*Micki Schmidt*

Minutes:

Chairman Belter opened the hearing on HB 1348. I've asked for a motion to reconsider our action where we passed and rerefered to appropriations.

**Representative Headland: I move to reconsider the HB1348**

**Representative Owens: Second it.**

**Chairman Belter:** Is there any discussion? If not all those in favor signify by saying aye. The motion carries. What we did was change the special fuels tax from 2% to a flat 4% in doing that we also discussed that this includes propane. What these amendments are supposed to do is put the special fuel on diesel at 4 cents but leave it on propane at the 2% rate. Is there any discussion?

**Vice Chairman Drovdal: I'll move the amendments.**

**Representative Owens: Second it.**

**Chairman Belter:** Any discussion? If not all those in favor of the proposed amendments signify by saying aye. The motion carries. I'd entertain a motion on the Bill.

**Representative Kelsh:** We had adopted the other set of amendments 0201 before. Don't we need to take them off?

**Vice Chairman Drovdal:** It was my understanding that if we brought it back that it would start as a new Bill again.

**Chairman Belter:** I think that these set of amendments correct that, so we don't have to take the first set off.

**Representative Wrangham:** I think they purposely in this amendment put in remove "but not exceeding" and we've already done that so if they're recognizing that set of amendments they would have had to put it back on this new amendment. I think the safest thing would be to remove the reconsider our action, put the 0201 amendments and take those off.

**Vice Chairman Drovdal:** I was under the impression that when you reconsider your action, you go back to the bare Bill. So therefore they were removed. If there is a question, we could make the motion to clarify that.

**Representative Vig:** It says in lieu of the proposed amendments. That would remove the first set.

**Chairman Belter:** Yes, it takes it off. I would entertain a motion.

**Representative Schmidt:** I move a Do Pass as Amended and Rerefer to Appropriations.

**Representative Owens:** Second it.

**Chairman Belter:** Any discussion? If not, will the clerk read the roll; 13-y, 0-n, 1-absent; Rep. Headland will carry the Bill.

**FISCAL NOTE**  
 Requested by Legislative Council  
 03/14/2007

Amendment to:           Engrossed  
                                   HB 1348

**1A. State fiscal effect:** *Identify the state fiscal effect and the fiscal effect on agency appropriations compared to funding levels and appropriations anticipated under current law.*

	2005-2007 Biennium		2007-2009 Biennium		2009-2011 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
<b>Revenues</b>				(\$290,304)		
<b>Expenditures</b>						
<b>Appropriations</b>						

**1B. County, city, and school district fiscal effect:** *Identify the fiscal effect on the appropriate political subdivision.*

2005-2007 Biennium			2007-2009 Biennium			2009-2011 Biennium		
Counties	Cities	School Districts	Counties	Cities	School Districts	Counties	Cities	School Districts
			(\$108,984)	(\$64,512)				

**2A. Bill and fiscal impact summary:** *Provide a brief summary of the measure, including description of the provisions having fiscal impact (limited to 300 characters).*

As amended, except for propane, this bill replaces the excise tax of two percent currently imposed on all sales of special fuels, which are exempted from the tax imposed under section 57-43.2-02, with a flat tax of four cents per gallon. Propane will continue to be taxed at a rate of two percent.

**B. Fiscal impact sections:** *Identify and provide a brief description of the sections of the measure which have fiscal impact. Include any assumptions and comments relevant to the analysis.*

This bill would result in less revenue being generated for the Highway Tax Distribution Fund anytime the price per gallon for the affected fuels (other than propane) was greater than \$2.00 per gallon, as compared to the current 2% special fuels excise tax provisions. Propane would continue to be taxed at the 2% rate.

Conversely, this bill would result in more revenue being generated for the Highway Tax Distribution Fund anytime the price per gallon for the affected fuels (other than propane) was less than \$2.00 per gallon, as compared to the current 2% special fuels excise tax provisions.

With the exception of propane, the fuels subject to the 4 cent provisions of this bill consist of the following:

- Special fuel commonly known as diesel fuel which is dyed for federal fuel tax exemption purposes and sold for use as heating fuel or for an agricultural, industrial, or railroad purpose, and
- Special fuel, other than diesel fuel, sold for use as heating fuel or for an agricultural, industrial, or railroad purpose

The Senate amendment provides that the bill sunsets after June 30, 2009.

**3. State fiscal effect detail:** *For information shown under state fiscal effect in 1A, please:*

**A. Revenues:** *Explain the revenue amounts. Provide detail, when appropriate, for each revenue type and fund affected and any amounts included in the executive budget.*

Whenever the price of the affected fuel (other than propane) is above \$2.00 per gallon, the revenue generated under the provisions of this bill would be less than would have been generated using the 2% special fuels excise tax provisions. For example, using the average price over the last year of \$2.05 per gallon, at 460,800,000 gallons sold the revenue generated under the present 2% special fuels excise tax provisions would be \$18,892,800. The proposed 4 cent flat tax would generate \$18,432,000. Under this scenario, the Highway Tax Distribution Fund would receive \$460,800 less revenue than would have been generated under the 2 percent special fuels excise tax

provisions. This is the scenario used in parts 1A and 1B above.

Conversely, whenever the price of the specified fuels (other than propane) is below \$2.00 per gallon, this bill will result in more revenue being generated than the 2% special fuels tax revenue structure would generate. For example, using the present 2% tax structure and the latest 5 year average price of \$1.25 per gallon (excludes propane), the current average biennial fuel sales for affected fuels (460,800,000 gallons) would generate approximately \$11,520,000 for the Highway Tax Distribution Fund. However, using the proposed flat tax of four cents per gallon would generate approximately \$18,432,000 for the Highway Tax Distribution Fund. Under this scenario, the Highway Tax Distribution Fund would receive \$6,912,000 more using the proposed tax structure than would have been generated under the current 2% tax structure.

Propane would continue to be taxed at the current 2% rate.

**B. Expenditures:** *Explain the expenditure amounts. Provide detail, when appropriate, for each agency, line item, and fund affected and the number of FTE positions affected.*

**C. Appropriations:** *Explain the appropriation amounts. Provide detail, when appropriate, for each agency and fund affected. Explain the relationship between the amounts shown for expenditures and appropriations. Indicate whether the appropriation is also included in the executive budget or relates to a continuing appropriation.*

<b>Name:</b>	Shannon L. Sauer	<b>Agency:</b>	NDDOT
<b>Phone Number:</b>	328-4375	<b>Date Prepared:</b>	03/15/2007

**FISCAL NOTE**  
 Requested by Legislative Council  
 02/02/2007

Amendment to: HB 1348

1A. **State fiscal effect:** *Identify the state fiscal effect and the fiscal effect on agency appropriations compared to funding levels and appropriations anticipated under current law.*

	2005-2007 Biennium		2007-2009 Biennium		2009-2011 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
<b>Revenues</b>				(\$290,304)		(\$290,304)
<b>Expenditures</b>						
<b>Appropriations</b>						

1B. **County, city, and school district fiscal effect:** *Identify the fiscal effect on the appropriate political subdivision.*

2005-2007 Biennium			2007-2009 Biennium			2009-2011 Biennium		
Counties	Cities	School Districts	Counties	Cities	School Districts	Counties	Cities	School Districts
			(\$108,984)	(\$64,512)		(\$105,984)	(\$64,512)	

2A. **Bill and fiscal impact summary:** *Provide a brief summary of the measure, including description of the provisions having fiscal impact (limited to 300 characters).*

As amended, except for propane, this bill replaces the excise tax of two percent currently imposed on all sales of special fuels, which are exempted from the tax imposed under section 57-43.2-02, with a flat tax of four cents per gallon. Propane will continue to be taxed at a rate of two percent.

B. **Fiscal impact sections:** *Identify and provide a brief description of the sections of the measure which have fiscal impact. Include any assumptions and comments relevant to the analysis.*

This bill would result in less revenue being generated for the Highway Tax Distribution Fund anytime the price per gallon for the affected fuels (other than propane) was greater than \$2.00 per gallon, as compared to the current 2% special fuels excise tax provisions. Propane would continue to be taxed at the 2% rate.

Conversely, this bill would result in more revenue being generated for the Highway Tax Distribution Fund anytime the price per gallon for the affected fuels (other than propane) was less than \$2.00 per gallon, as compared to the current 2% special fuels excise tax provisions.

With the exception of propane, the fuels subject to the 4 cent provisions of this bill consist of the following:

- Special fuel commonly known as diesel fuel which is dyed for federal fuel tax exemption purposes and sold for use as heating fuel or for an agricultural, industrial, or railroad purpose, and
- Special fuel, other than diesel fuel, sold for use as heating fuel or for an agricultural, industrial, or railroad purpose

3. **State fiscal effect detail:** *For information shown under state fiscal effect in 1A, please:*

A. **Revenues:** *Explain the revenue amounts. Provide detail, when appropriate, for each revenue type and fund affected and any amounts included in the executive budget.*

Whenever the price of the affected fuel (other than propane) is above \$2.00 per gallon, the revenue generated under the provisions of this bill would be less than would have been generated using the 2% special fuels excise tax provisions. For example, using the average price over the last year of \$2.05 per gallon, at 460,800,000 gallons sold the revenue generated under the present 2% special fuels excise tax provisions would be \$18,892,800. The proposed 4 cent flat tax would generate \$18,432,000. Under this scenario, the Highway Tax Distribution Fund would receive \$460,800 less revenue than would have been generated under the 2 percent special fuels excise tax provisions. This is the scenario used in parts 1A and 1B above.

Conversely, whenever the price of the specified fuels (other than propane) is below \$2.00 per gallon, this bill will result

in more revenue being generated than the 2% special fuels tax revenue structure would generate. For example, using the present 2% tax structure and the latest 5 year average price of \$1.25 per gallon (excludes propane), the current average biennial fuel sales for affected fuels (460,800,000 gallons) would generate approximately \$11,520,000 for the Highway Tax Distribution Fund. However, using the proposed flat tax of four cents per gallon would generate approximately \$18,432,000 for the Highway Tax Distribution Fund. Under this scenario, the Highway Tax Distribution Fund would receive \$6,912,000 more using the proposed tax structure than would have been generated under the current 2% tax structure.

Propane would continue to be taxed at the current 2% rate.

**B. Expenditures:** *Explain the expenditure amounts. Provide detail, when appropriate, for each agency, line item, and fund affected and the number of FTE positions affected.*

**C. Appropriations:** *Explain the appropriation amounts. Provide detail, when appropriate, for each agency and fund affected. Explain the relationship between the amounts shown for expenditures and appropriations. Indicate whether the appropriation is also included in the executive budget or relates to a continuing appropriation.*

<b>Name:</b>	Shannon L. Sauer	<b>Agency:</b>	NDDOT
<b>Phone Number:</b>	328-4375	<b>Date Prepared:</b>	02/02/2007

**FISCAL NOTE**  
**Requested by Legislative Council**  
01/12/2007

Bill/Resolution No.: HB 1348

**1A. State fiscal effect:** *Identify the state fiscal effect and the fiscal effect on agency appropriations compared to funding levels and appropriations anticipated under current law.*

	2005-2007 Biennium		2007-2009 Biennium		2009-2011 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
<b>Revenues</b>				(\$403,200)		(\$403,200)
<b>Expenditures</b>						
<b>Appropriations</b>						

**1B. County, city, and school district fiscal effect:** *Identify the fiscal effect on the appropriate political subdivision.*

2005-2007 Biennium			2007-2009 Biennium			2009-2011 Biennium		
Counties	Cities	School Districts	Counties	Cities	School Districts	Counties	Cities	School Districts
			(\$147,200)	(\$89,600)		(\$147,200)	(\$89,600)	

**2A. Bill and fiscal impact summary:** *Provide a brief summary of the measure, including description of the provisions having fiscal impact (limited to 300 characters).*

This bill caps the special excise tax of two percent currently imposed on all sales of special fuels, which are exempt from the tax imposed under section 57-43.2-02, at four cents.

**B. Fiscal impact sections:** *Identify and provide a brief description of the sections of the measure which have fiscal impact. Include any assumptions and comments relevant to the analysis.*

Effectively, any time the price of fuel subject to the 2% special fuels excise tax exceeds \$2.00 per gallon, the provisions of this bill would limit the tax to 4 cents per gallon ( $\$2.00 \times 2\% = \$0.04$ ). Fuel subject to the 2% special fuels excise tax consists of the following:

- Special fuel commonly known as diesel fuel which is dyed for federal fuel tax exemption purposes and sold for use as heating fuel or for an agricultural, industrial, or railroad purpose, and
- Special fuel, other than diesel fuel, sold for use as heating fuel or for an agricultural, industrial, or railroad purpose

Currently, a five year average price of \$1.17 is being use to compute the projection for the two percent special excise tax being deposited into the Highway Tax Distribution Fund. Therefore, using the five year average price, this bill initially appears to have no fiscal impact at this time.

However, given the large increases in fuel prices over the last two years, evaluation of this bill using more current fuel prices shows that this bill will produce a negative impact to the revenues for the Highway Tax Distribution Fund. Using the last 12 month average price of \$2.05 per gallon and a consumption of approximately 640 million gallons, this bill would result in a revenue reduction to the Highway Tax Distribution Fund of approximately \$640,000 per biennium. This is the scenario presented above in the Fiscal Effect Sections 1A and 1B.

For comparison purpose, should the price of the fuel continue to rise, the revenue that would not be realized under the provisions of this bill would likewise increase. For example, if the average price of the fuel were \$2.55 per gallon, the total revenue that would not be realized because of the 4 cent cap would be approximately \$7,040,000.

**3. State fiscal effect detail:** *For information shown under state fiscal effect in 1A, please:*

**A. Revenues:** *Explain the revenue amounts. Provide detail, when appropriate, for each revenue type and fund affected and any amounts included in the executive budget.*

Based on the average price over the last 12 months (\$2.05/gallon) and an average annual consumption of

640,000,000 gallons, this bill would result in a revenue loss to the Highway Tax Distribution Fund of approximately \$640,000 (640,000,000 gallons x \$.05 average price above effective cap x 2% excise tax).

A revenue loss of \$640,000 to the Highway Tax Distribution Fund would be divided between the NDDOT, cities, and counties as follows: NDDOT - \$403,200 (63%), counties - \$147,200 (23%), and cities - \$89,600.

**B. Expenditures:** *Explain the expenditure amounts. Provide detail, when appropriate, for each agency, line item, and fund affected and the number of FTE positions affected.*

**C. Appropriations:** *Explain the appropriation amounts. Provide detail, when appropriate, for each agency and fund affected. Explain the relationship between the amounts shown for expenditures and appropriations. Indicate whether the appropriation is also included in the executive budget or relates to a continuing appropriation.*

<b>Name:</b>	Shannon L. Sauer	<b>Agency:</b>	NDDOT
<b>Phone Number:</b>	328-4375	<b>Date Prepared:</b>	01/19/2007

VK  
1/22/07

PROPOSED AMENDMENTS TO HOUSE BILL NO. 1348

Page 1, line 6, overstrike "two percent" and remove the underscored comma

Page 1, line 7, remove "but not exceeding" and remove the underscored comma

Renumber accordingly

Date: 1-22-07  
Roll Call Vote #: 1348

2007 HOUSE STANDING COMMITTEE ROLL CALL VOTES  
BILL/RESOLUTION NO.

House \_\_\_\_\_ Finance & Tax \_\_\_\_\_ Committee

Check here for Conference Committee

Legislative Council Amendment  
Number \_\_\_\_\_

Action Taken Do Pass AS Amended

Motion Made By Rep. Brandenburg Seconded By Rep. Drovdal

Representatives	Yes	No	Representatives	Yes	No
Chairman Belter	✓		Rep. Froelich	✓	
Vice Chairman Drovdal	✓		Rep. Kelsh	✓	
Rep. Brandenburg	✓		Rep. Pinkerton	✓	
Rep. Froseth		✓	Rep. Schmidt	✓	
Rep. Grande	✓		Rep. Vig	✓	
Rep. Headland	✓				
Rep. Owens	✓				
Rep. Weiler	✓				
Rep. Wrangham	✓				

Total (Yes) 12 No 1

Absent 1

Floor Assignment Rep. Headland

If the vote is on an amendment, briefly indicate intent:

Date: 1-23-07  
Roll Call Vote #: 1348

2007 HOUSE STANDING COMMITTEE ROLL CALL VOTES  
BILL/RESOLUTION NO.

House \_\_\_\_\_ Finance & Tax \_\_\_\_\_ Committee

Check here for Conference Committee

Legislative Council Amendment  
Number \_\_\_\_\_

Action Taken Do Pass as Amend & referred to Approp.

Motion Made By Rep. Drovdal Seconded By Rep. Grande

Representatives	Yes	No	Representatives	Yes	No
Chairman Belter	✓		Rep. Froelich	✓	
Vice Chairman Drovdal	✓		Rep. Kelsh	✓	
Rep. Brandenburg	✓		Rep. Pinkerton	✓	
Rep. Froseth	✓		Rep. Schmidt	✓	
Rep. Grande	✓		Rep. Vig	✓	
Rep. Headland	✓				
Rep. Owens	✓				
Rep. Weiler	✓				
Rep. Wrangham	✓				

Total (Yes) 14 No 0

Absent 0

Floor Assignment Rep. Headland

If the vote is on an amendment, briefly indicate intent:

**REPORT OF STANDING COMMITTEE**

**HB 1348: Finance and Taxation Committee (Rep. Belter, Chairman) recommends AMENDMENTS AS FOLLOWS and when so amended, recommends DO PASS and BE REREFERRED to the Appropriations Committee (14 YEAS, 0 NAYS, 0 ABSENT AND NOT VOTING). HB 1348 was placed on the Sixth order on the calendar.**

Page 1, line 6, overstrike "two percent" and remove the underscored comma

Page 1, line 7, remove "but not exceeding" and remove the underscored comma

Renumber accordingly

PROPOSED AMENDMENTS TO HOUSE BILL NO. 1348

In lieu of the proposed amendments as printed on page 233 of the House Journal, House Bill No. 1348 is amended as follows:

Page 1, line 6, replace the underscored comma with "is imposed on all sales of propane and a tax of"

Page 1, line 7, remove "but not exceeding", remove the underscored comma, and after "of" insert "diesel fuel and other"

Renumber accordingly

Date: 1-31-07  
Roll Call Vote #: 1348

2007 HOUSE STANDING COMMITTEE ROLL CALL VOTES  
BILL/RESOLUTION NO.

House \_\_\_\_\_ Finance & Tax \_\_\_\_\_ Committee

Check here for Conference Committee

Legislative Council Amendment  
Number \_\_\_\_\_

Action Taken Do Pass As Amended and Referred to Approp.

Motion Made By Rep. Schmidt Seconded By Rep. Owens

Representatives	Yes	No	Representatives	Yes	No
Chairman Belter	✓		Rep. Froelich	✓	
Vice Chairman Drovdal	✓		Rep. Kelsh	✓	
Rep. Brandenburg	✓		Rep. Pinkerton	✓	
Rep. Froseth	✓		Rep. Schmidt	✓	
Rep. Grande	✓		Rep. Vig	✓	
Rep. Headland	✓				
Rep. Owens	✓				
Rep. Weiler	✓				
Rep. Wrangham	✓				

Total (Yes) 13 No 0

Absent 1

Floor Assignment Rep Headland

If the vote is on an amendment, briefly indicate intent:

**REPORT OF STANDING COMMITTEE**

**HB 1348: Finance and Taxation Committee (Rep. Belter, Chairman) recommends AMENDMENTS AS FOLLOWS and when so amended, recommends DO PASS and BE REREFERRED to the Appropriations Committee (13 YEAS, 0 NAYS, 1 ABSENT AND NOT VOTING). HB 1348 was placed on the Sixth order on the calendar.**

In lieu of the proposed amendments as printed on page 233 of the House Journal, House Bill No. 1348 is amended as follows:

Page 1, line 6, replace the underscored comma with "is imposed on all sales of propane and a tax of"

Page 1, line 7, remove "but not exceeding", remove the underscored comma, and after "of" insert "diesel fuel and other"

Renumber accordingly

2007 HOUSE APPROPRIATIONS

HB 1348

## 2007 HOUSE STANDING COMMITTEE MINUTES

Bill/Resolution No. **HB 1348**

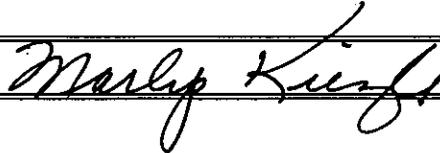
House Appropriation Committee

Check here for Conference Committee

Hearing Date: 02-06-07

Recorder Job Number 2974

Committee Clerk Signature



Minutes:

Chairman Svedjan opened the meeting for HB 1348. We will be discussing the first engrossment number 0400 and the FN is January 25.

Rep Belter: I am from District 22. The last FN is 2/2/07.

When we talk about special fuels, these are special fuels that farmers use in their tractors, construction companies use in their equipment instead of being subjected to a gas tax, it has been subject to a 2% tax just like the home heating fuel.

What this bill would do, instead of being at 2% it would be just be at a flat \$.04. According to the FN, last year the average price of fuel was 2.05. Currently we can get diesel fuel for a \$1.92 to \$1.97 depending upon the price. Putting this at a flat \$.04 we would actually be gaining more revenue but if you are looking at the FN it is all bases on where the price of fuel goes. I think the issue here is what is fair. When we set this at a percentage, fuel was at a buck or a buck and a quarter. Now fuel is \$2.00 and sometimes higher than that, so consequently the consumers of those fuels because it is on a percentage bases are paying more. Where if you are looking at you automobile gas it doesn't make a difference whether we are paying a \$2.09 today or \$3.19 gas tax is \$.23. Let's get gas at a fixed price, if fuel goes up yes the state would loose some revenue but if fuel the state would be a gain.

Rep Kerzman: Will this affect any political subdivisions the money they get back?

Rep Belter: Yes it could affect them because if the fuel goes up there will not be as much revenue raised but on the other hand if fuel should moderate some what and we have fuel less than 2 dollars then there is a net gainer.

Rep Kerzman: Do they get a portion of excess tax back now?

Rep Belter: Yes they would still get their percentage.

Rep Kempenich made a motion "Do Pass" and seconded by Rep Kreidt.

Roll Call Vote was 18 yes, 6 no and 0 absent.

Rep. Headland will be the carrier of the bill.

Date: 2/6/07  
 Roll Call Vote #: 1

**2007 HOUSE STANDING COMMITTEE ROLL CALL VOTES**  
**BILL/RESOLUTION NO. 1348**

House Appropriations Full Committee

Check here for Conference Committee

Legislative Council Amendment Number \_\_\_\_\_

Action Taken Do Pass as Enrolled

Motion Made By Kempnich Seconded By Kreidt

Representatives	Yes	No	Representatives	Yes	No
Chairman Svedjan	✓				
Vice Chairman Kempnich	✓				
Representative Wald	✓		Representative Aarsvold	✓	
Representative Monson	✓		Representative Gulleson	✓	
Representative Hawken		✓			
Representative Klein	✓				
Representative Martinson		✓			
Representative Carlson	✓		Representative Glassheim		✓
Representative Carlisle		✓	Representative Kroeber	✓	
Representative Skarphol	✓		Representative Williams	✓	
Representative Thoreson		✓			
Representative Pollert	✓		Representative Ekstrom	✓	
Representative Bellew	✓		Representative Kerzman		✓
Representative Kreidt	✓		Representative Metcalf	✓	
Representative Nelson	✓				
Representative Wieland	✓				

Total (Yes) 18 No 6

Absent 0

Floor Assignment Headland

If the vote is on an amendment, briefly indicate intent:

**REPORT OF STANDING COMMITTEE (410)**  
February 8, 2007 2:14 p.m.

**Module No: HR-25-2572**  
**Carrier: Headland**  
**Insert LC: . Title: .**

**REPORT OF STANDING COMMITTEE**

**HB 1348, as engrossed: Appropriations Committee (Rep. Svedjan, Chairman)**  
recommends **DO PASS** (18 YEAS, 6 NAYS, 0 ABSENT AND NOT VOTING).  
Engrossed HB 1348 was placed on the Eleventh order on the calendar.

2007 SENATE FINANCE AND TAXATION

HB 1348

## 2007 SENATE STANDING COMMITTEE MINUTES

Bill/Resolution No. **HB 1348**

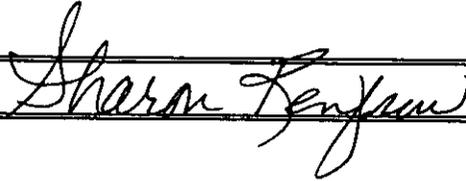
Senate Finance and Taxation Committee

Check here for Conference Committee

Hearing Date: March 5, 2007

Recorder Job Number: # 4386

Committee Clerk Signature



Minutes:

**Sen. Urlacher** called the committee to order and opened the hearing on HB 1348 which relates to the special fuels special excise tax.

**Rep. Wall** appeared as prime sponsor of the bill with written testimony stating that this basically changes from 2% to a flat 4 cents a gallon. (See attached)

**Sen. Urlacher**: is this a reasonably workable on our administrative process?

**Kevin Schatz**: Tax Dept. this would not bring any extra burden on us as far as administrative costs and actually it would probably simplify the process because it would be a flat rate.

**Sen. Urlacher**: Fuel prices have seem to have exhilarated the \$2 range, is the fiscal note different, are these legitimate numbers?

**Answer**: the fiscal note would be pretty accurate

**Sen. Horne**: if this bill were adopted and the price of diesel fuel fell below \$2 a gallon, the State would collect less but if it went above \$2 a gallon the State would collect greater revenue, is that right?

**Answer**: you have it turned around, if the price would go below \$2 a gallon the State would get more.

**Mike Rud:** ND Petroleum Marketers, regarding the price of fuel as we continue to deal with EPA regarding mission standards with these products, I would say in the next 4 years its going to continue to escalate.

**Sen. Tollefson:** what is the price of diesel today?

**Mike:** a little over \$2 or \$2.10 on the farm right now and it has been rising in the last month.

Closed the hearing.

**Sen. Tollefson:** with the testimony that we've heard and if the price is rising, it's probably not too wise to pass this bill.

**Sen. Anderson:** it might not be a bad idea to get a grasp on those other bills to see how they are progressing before we act on these ones that reduce.

End of discussion.

## 2007 SENATE STANDING COMMITTEE MINUTES

Bill/Resolution No. HB 1348

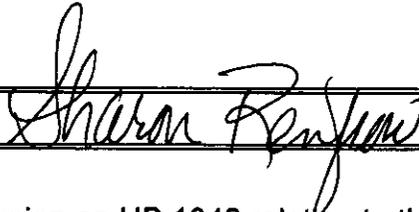
Senate Finance & Tax Committee

Check here for Conference Committee

Hearing Date: March 12, 2007

Recorder Job Number: 4920

Committee Clerk Signature



**Senator Urlacher** opened discussion on HB 1348 relating to the special fuels special excise tax; and to provide an effective date.

**Senator Anderson** said this bill would change fuels from a percent to a cent or a number of cents.

**Senator Triplette** said as the price of fuel goes up the state will get less if price of fuel goes down, the state will get more.

**Senator Cook** moved an amendment to have it sunset in 2009. He would like this bill to go to conference committee.

**Senator Triplett** seconded the motion.

7-0-0

**Senator Anderson** moved a Do Pass on HB 1348 as amended.

**Senator Horne** seconded the motion.

The clerk called the roll. 6-1-0

**Senator Anderson** will carry the bill.

Date: 3-12-07

Roll Call Vote #: 1

2007 SENATE STANDING COMMITTEE ROLL CALL VOTES  
BILL/RESOLUTION NO. 1348

Senate Finance & Tax Committee

Check here for Conference Committee

Legislative Council Amendment Number \_\_\_\_\_

Action Taken Do pass as amended

Motion Made By Senator Anderson Seconded By Senator Horn

Senators	Yes	No	Senators	Yes	No
Sen. Urlacher	✓		Sen. Anderson	✓	
Sen. Tollefson	✓		Sen. Horn	✓	
Sen. Cook	✓		Sen. Triplett	✓	
Sen. Oehlke		✓			

Total (Yes) 6 No 1

Absent 0

Floor Assignment Senator Anderson

If the vote is on an amendment, briefly indicate intent:

**REPORT OF STANDING COMMITTEE**

**HB 1348, as engrossed: Finance and Taxation Committee (Sen. Urlacher, Chairman)** recommends **AMENDMENTS AS FOLLOWS** and when so amended, recommends **DO PASS** and **BE REREFERRED** to the **Appropriations Committee** (6 YEAS, 1 NAY, 0 ABSENT AND NOT VOTING). Engrossed HB 1348 was placed on the Sixth order on the calendar.

Page 1, line 2, remove "and" and after "date" insert "; and to provide an expiration date"

Page 1, after line 11, insert:

**"SECTION 3. EXPIRATION DATE.** This Act is effective through June 30, 2009, and after that date is ineffective."

Renumber accordingly

2007 SENATE APPROPRIATIONS

HB 1343

## 2007 SENATE STANDING COMMITTEE MINUTES

Bill/Resolution No. 1348

Senate Appropriations Committee

Check here for Conference Committee

Hearing Date: 03-20-07

Recorder Job Number:

Committee Clerk Signature

*Janet Pinks*

Minutes:

Chairman Holmberg opened the hearing on HB 1348 which is special fuels, special excise tax.

Chairman Holmberg introduced students from Thompson Township and explained the bill to the students.

Representative Wesley Beltier, District 22, Leonard, is not prime sponsor but testified for the finance and tax committee. He feels this is good bill indicating that currently those fuels used for off road purposes are charged 4 percent of cost. This bill will charge 2 percent. With farming or construction, the tax fluctuates with the price. From the tax committee's perspective it is a fairness issue. Earlier in session could come to farm for 1.94 and 2 cent would have brought in more no price at 2.18 and would be loss of rev with 2 % -- needs to be flat tax

Chairman Holmberg indicated the proper bill should be .500.

Representative Wahl, District 25, SE ND, introduced HB 1348 on behalf of Ag producers. They wish to go from 2 % to 4 cents per gal as precaution; if the price goes above \$2 the state will lose money. If diesel remains at 5 year level, the state will realize more. This is a gamble, what is diesel going to do. This could end up costing more than 2 percent. Producers will be looking for some other product if diesel prices go sky high.

Chairman Holmberg indicated it is always risky when you say I won't lie to you, leaves us wondering.

Jon Rischer, United Transportation Union, representing railroad unions across America, testified in support of the bill. They would rather pay a flat tax rather than percentage. The bill is fair.

Senator Bowman indicated he is confused at the statement that the trucking industry is breaking railroads. Without trucks bringing grain to railroads how are trains going to transport it. The response was truckers not breaking railroads, they are competitors, but work together.

Chairman Holmberg closed the hearing on HB 1348.

Senator Grindberg moved a do pass on HB 1348, Senator Fischer seconded. A roll call vote was taken resulting in 13 yes, 0 no, 1 absent. The motion passed and Senator Anderson will carry the bill.

## 2007 SENATE STANDING COMMITTEE MINUTES

Bill/Resolution No. 1348

Senate Appropriations Committee

Check here for Conference Committee

Hearing Date: 03-21-07

Recorder Job Number: 5379

Committee Clerk Signature



Minutes:

Chairman Holmberg opened the hearing on HB 1348.

Senator Wardner moved a do not pass on HB 1348 because some things are covered in HB 1049 however, I want you to know however there are things in 1348 that were not in 1049.

Chairman Holmberg indicated his records show this bill has already passed so we will move on. You will have to make your case on the floor.

Chairman Holmberg closed the hearing on HB 1348

Date: 3/20  
Roll Call Vote #: 1

2007 SENATE STANDING COMMITTEE ROLL CALL VOTES  
BILL/RESOLUTION NO. 1348

Senate Appropriations Committee

Check here for Conference Committee

Legislative Council Amendment Number \_\_\_\_\_

Action Taken DP

Motion Made By Grindberg Seconded By Fischer

Senators	Yes	No	Senators	Yes	No
Senator Ray Holmberg, Chrm	✓		Senator Aaron Krauter	✓	
Senator Bill Bowman, V Chrm	✓		Senator Elroy N. Lindaas	✓	
Senator Tony Grindberg, V Chrm	✓		Senator Tim Mathern	✓	
Senator Randel Christmann	✓		Senator Larry J. Robinson	✓	
Senator Tom Fischer	✓		Senator Tom Seymour	✓	
Senator Ralph L. Kilzer	✓		Senator Harvey Tallackson	✓	
Senator Karen K. Krebsbach	✓				
Senator Rich Wardner	✓				

Total (Yes) 13 No —

Absent 1

Floor Assignment Anderson Fintax

If the vote is on an amendment, briefly indicate intent:

**REPORT OF STANDING COMMITTEE (410)**  
March 19, 2007 4:21 p.m.

**Module No: SR-51-5696**  
**Carrier: Anderson**  
**Insert LC: . Title: .**

**REPORT OF STANDING COMMITTEE**

**HB 1348, as engrossed and amended: Appropriations Committee (Sen. Holmberg, Chairman) recommends DO PASS (13 YEAS, 0 NAYS, 1 ABSENT AND NOT VOTING). Engrossed HB 1348, as amended, was placed on the Fourteenth order on the calendar.**

2007 HOUSE FINANCE AND TAXATION

CONFERENCE COMMITTEE

HB 1348

# 2007 HOUSE STANDING COMMITTEE MINUTES

Bill/Resolution No. 1348 CC

## House Finance and Taxation Committee

Check here for Conference Committee

Hearing Date: April 2, 2007

Recorder Job Number: 5656

Committee Clerk Signature *Mickie Schmidt*

Minutes:

### Committee Conference:

Chairman Headland opened the conference committee to order for HB 1348 and asked the clerk to take the roll; all were present except Rep. Froelich.

**Chairman Headland:** Will the Senate to explain your amendment.

**Sen. Cook:** Well, for some reason somebody in their wisdom decided to put expiration date on this so that we could have a chance to sit down and visit and make sure that we had this exactly the way we wanted it. Is everybody comfortable with what we're doing here?

**Chairman Headland:** I would say that we fully understood what we were doing in the House.

**Sen. Cook:** We always like to give you a second chance...

**Chairman Headland:** It really comes down to where we believe fuel is going to stay. We want to give them a little bit of a break because basically with fuel over \$2.00 a gallon, it's a little bit of a break and it will take away from the Highway Distribution Fund (HDF). What it comes down to is do we feel that we can afford...

**Sen. Tollefson:** The effect on the HDF is what?

**Chairman Headland:** Yes, according to the fiscal note, when fuel is above \$2.00 a gallon and you take into account the 460 gallons sold in ND at 2.05, it would generate about 400,000 less

than it would if you left it as straight 2%. But what we should probably look at is I believe fuel is at \$2.85 on the pump now. So that's going to have a lot more of a dramatic impact.

**Sen. Anderson:** I realize this isn't the effective date; the effective date is what we're talking about but, to me if your farming with gasoline, your price per gallon per tax is always the same. But when you get into diesel fuel, then you get a double wham when the price of diesel fuel goes up, so does your tax. To me that doesn't seem correct.

**Chairman Headland:** I agree with you, I think that is one of the reasons for putting the Bill in, because you thought it was a fairness issue. I believe the House agreed with it, so we changed it.

**Rep. Froseth:** I guess what we're looking at is the sunset with the Senate amendments. If we all agree with the concept of it, we just discuss the sunset.

**Sen. Cook:** I'm comfortable with the removal of it.

**Sen. Tollefson:** Yes, I am too.

**Sen. Cook:** I move that the Senate recede from the Senate amendments.

**Sen. Tollefson:** Second it.

**Chairman Headland:** Is there any discussion? Hearing none I'll have the clerk call the roll; 5-y; 0-n; 1-absent; Rep. Headland will carry the Bill. We will close the conference on HB 1348.

**REPORT OF CONFERENCE COMMITTEE  
(ACCEDE/RECEDE)**

Bill Number 1348 (, as (re)engrossed):

Date: April 2<sup>nd</sup> 2007

Your Conference Committee House Finance & Tax

Roll:	For the Senate:		For the House:		Roll:
	YES	NO	YES	NO	
✓	Sen. Cook	✓	Rep. Headland	✓	✓
✓	Sen. Tollefson	✓	Rep. Froseth	✓	✓
✓	Sen. Anderson	✓	Rep. Froelich		

recommends that the (SENATE) (HOUSE) (ACCEDE to) (RECEDE from)

the (Senate) (House) amendments on (SJ/HJ) page(s) 1109 -- 1112

✓, and place 1348 on the Seventh order.

\_\_\_\_\_, adopt (further) amendments as follows, and place \_\_\_\_\_ on the Seventh order:

\_\_\_\_\_, having been unable to agree, recommends that the committee be discharged and a new committee be appointed.

((Re)Engrossed) 1348 was placed on the Seventh order of business on the calendar.

DATE: April 2, 2007

CARRIER: Rep. Headland

LC NO.	of amendment
LC NO.	of engrossment
Emergency clause added or deleted	
Statement of purpose of amendment	

MOTION MADE BY: Sen. Cook

SECONDED BY: Sen. Tollefson

VOTE COUNT 5 YES 0 NO 1 ABSENT

**REPORT OF CONFERENCE COMMITTEE**

**HB 1348, as engrossed:** Your conference committee (Sens. Cook, Tollefson, Anderson and Reps. Headland, Froseth, Froelich) recommends that the **SENATE RECEDE** from the Senate amendments on HJ pages 1109-1112 and place HB 1348 on the Seventh order.

Engrossed HB 1348 was placed on the Seventh order of business on the calendar.

2007 TESTIMONY

HB 1348

1-22-07  
#1 HB1348

NORTH DAKOTA LEGISLATIVE ASSEMBLY

**Testimony for HB 1348**  
**By Rep. John Wall/ District 25**  
**Prepared For**  
**House Finance and Taxation Committee**  
**Rep. Belter, Chairman**  
**Fort Totten Room**  
**January 22, 2007**

Good morning Chairman Belter and members of the House Finance and Tax Committee. For the record, I am Representative John Wall from District 25 in Southeastern North Dakota. I am here today to speak in support of House Bill 1348 and the accompanying amendment. The passage of this bill, as amended, could have a positive impact on agricultural producers in my District and throughout the entire State.

Currently, the excise tax on special fuels is two percent and this bill with the amendment would change the two percent to four cents per gallon. I apologize for the amendment; however, after the bill was drafted it was explained to me that petroleum marketers and the State Tax Department did not have the software capable of transitioning back and forth from two percent to four cents a gallon as fuel prices fluctuated. Thus I offer the Amendment for a special fuels excise tax of a flat four cents per gallon.

This bill would, I believe, offer farmers and ranchers some protection if fuel prices should escalate in the future.

I thank you for your time this morning and would appreciate any consideration you can give to HB 1348. At this time, I will stand for any question you might have.

Testimony for HB 1348  
By: Rep. John Wall – District 25  
Prepared for Senate Finance and Taxation Committee  
Senator Urlacher, Chairman  
Lewis and Clark Room  
March 5, 2007

Good morning Chairman Urlacher and members of the Senate Finance and Taxation Committee. For the record, I am Representative John Wall from District 25 in Southeastern North Dakota. I am here this morning to introduce and speak in support of House Bill 1348 as passage of this bill could have a positive impact on agricultural producers in my district and throughout the entire state.

Presently the excise tax on dyed (red) diesel fuel is two percent and this bill would change the two percent to four cents per gallon. Considering the current price of dyed diesel fuel, passage of this bill would have a negligible effect; however, if diesel prices spike upward in the future, HB1348 would offer some relief for our farmers and ranchers.

Concerning the fiscal impact of HB 1348, the following should be considered:

Whenever the price of the affected fuel (other than propane) is above \$2.00 per gallon, the revenue generated under the provisions of this bill would be less than would have been generated using the 2% special fuels excise tax provisions. For example, using the average price over the last year of \$2.05 per gallon, at 460,800,000 gallons sold the revenue generated under the present 2% special fuels excise tax provisions would be \$18,432,000. Under the scenario, the Highway Tax Distribution Fund would receive \$460,800 less revenue than would have been generated under the 2 percent special fuels excise tax provisions.

Conversely, whenever the price of the specified fuels (other than propane) is below \$2.00 per gallon, this bill will result in more revenue being generated than the 2% special fuels tax revenue structure would generate. For example, using the present 2% tax structure and the latest 5 year average price of \$1.25 per gallon (excludes propane), the current average biennial fuel sales for affected fuels (460,800,000 gallons) would generate approximately \$11,520,000 for the Highway Tax Distribution Fund. However, using the proposed flat tax of four cents per gallon would generate approximately \$18,432,000 for the Highway Tax Distribution Fund. Under this scenario, the Highway Tax Distribution Fund would receive \$6,912,000 more using the proposed tax structure than would have been generated under the current 2% rate.

Propane would continue to be taxed at the current 2% rate.

The range of ramifications of this bill go from the State losing \$460,800 of revenue to the State collecting an additional \$6,912,000 more revenue using this new formula. One might wonder why I, on the behalf of agriculturalists, would introduce legislation that

could cost them millions. The answer is that they are happy to pay more excise taxes if diesel fuel remains below two dollars per gallon as this is a manageable benchmark for their input costs; what they seek is some protection if diesel prices escalate in the future.

I thank you for your time this morning and would appreciate a "do pass" recommendation on HB 1348. At this time, I will try to answer any questions you might have.