



MISSOURI SENATE BILL 262

Report Contact Information:

Cooper Lohr
Policy Specialist
clohr@artba.org
202.683.1016

MO Case Study – SB 262

Intro

Title of the Bill

[Missouri Senate Bill 262](#)

Result

Enacted July 13, 2021

Missouri Senate Bill 262			
	Date Approved	Yes Votes	No Votes
House ¹	5/11/2021	104	52
Senate ²	3/11/2021	21	13

Purpose

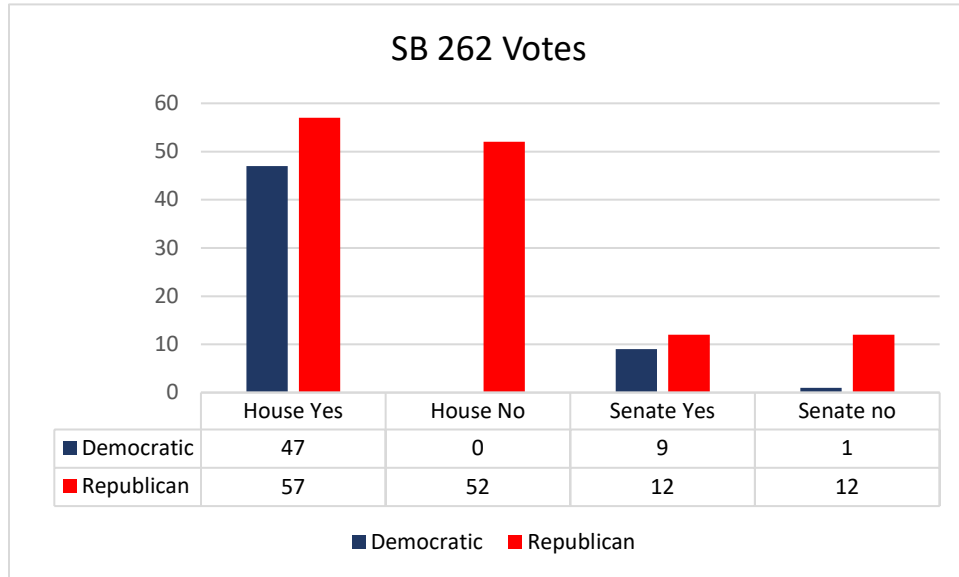
Senate Bill 262 (SB 262) implements structural changes to multiple areas of state transportation funding and revenue collection. It also amends numerous provisions relating to vehicle and public safety.

In Summary, SB 262 implements the following changes:

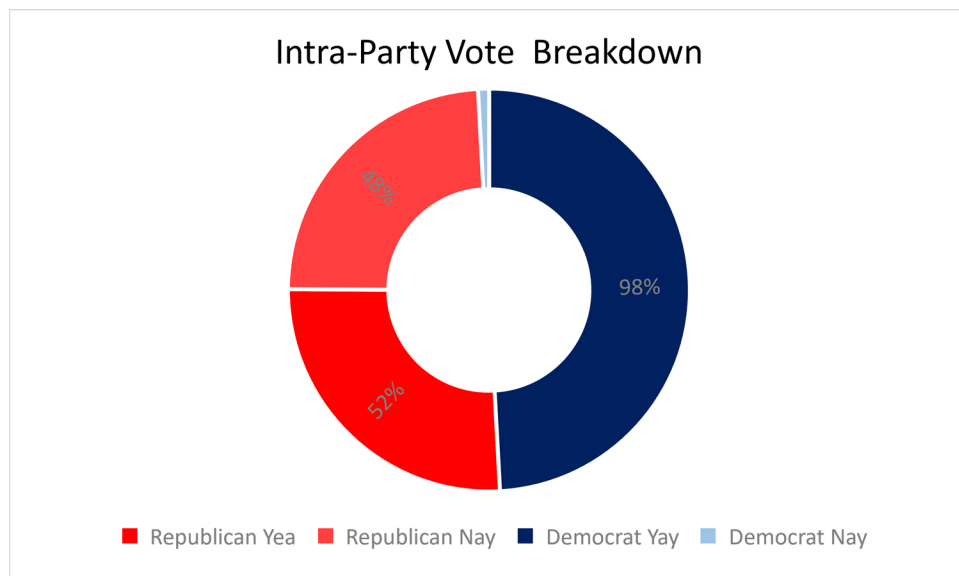
- Raises the state motor fuels tax beginning with 2.5 cents in October 2021 and increasing by 2.5 cents each fiscal year until reaching an additional 12.5 cents per gallon on July 1, 2025 (See table 1).
- Allows individuals to apply for a fuel tax refund or exemption if they don't want to pay the increased portion of the tax. A person can only submit a refund claim once per year and must hold onto receipts of fuel purchased for three years, to substantiate such claims.
- The Missouri Department of Revenue has issuing power over all refunds and exemptions. The refunds and exemptions only apply to non-highway use and for vehicles under 26,000 pounds.
- Fees for alternative fuel decals are increased by 20 percent per year for five years. The fee for vehicles over 36,000 pounds is increased by 10 percent per year for five years, and the fee for temporary decals is not modified.
- Establishes an "Electric Vehicle Task Force" to analyze and make recommendations regarding the impact of electric vehicle adoption on state transportation funding. The task force must deliver a report to the General Assembly and the governor no later than Dec. 31, 2022.

Other transportation-related measures include an increase to the maximum age of motor vehicles required to have an odometer reading and a lifetime ban from commercial driving for any person(s) convicted of using a motor vehicle for human trafficking³.

Legislative Details



SB 262 was largely a bipartisan effort. In the Senate, where the bill originated, 12 Republicans and nine Democrats voted for the legislation⁴. In the House, 57 Republicans and 47 Democrats voted for the bill⁵. Above is a full breakdown of votes by party.



Taking a deeper dive, we can see how the vote divided Republicans and Democrats across the legislature. Of the 57 total Democrat votes, 98 percent voted for SB 262 (56 votes) while only 2 percent voted against (1 vote)⁶. Of the 133 total Republican votes, 52 percent voted for SB 262 (69 votes) and 48 percent voted against (64)⁷. While Democrats were nearly unanimous in their support for the gas tax increase, the issue divided Republicans.

How the bill passed

Lead up

Before the passage of SB 262, the last time Missouri had raised its gas tax was in 1996. The state had been effectively operating on a 25-year-old transportation budget.

Hancock Amendment

A Missouri constitutional amendment, known as the “Hancock Amendment”, served as an obstacle to prior attempts to raise revenues for transportation funding. The 1980 amendment requires the state to refund money to income taxpayers when state revenues exceed a threshold based on the personal income Missourians. If, in any given year, there is a revenue surplus greater than 1 percent of the revenue limitation, the state must refund the money to taxpayers. The amendment also limits the overall amount of new annual revenue that the legislature may raise in any one year without voter approval. This means that any increases in general revenue past a certain percentage must go to a public vote⁸. Historically, the Hancock amendment has been interpreted by the state of Missouri to include fuel tax revenues as a part of general revenues.

Past Attempts

Within the last decade, there were two attempts to raise transportation revenues at the ballot. The *Missouri Temporary Sales Tax Increase for Transportation, Amendment 7*⁹ in 2014 would have amended the Missouri Constitution to impose a temporary 0.75 percent increase on the state sales and use tax to fund transportation projects. The tax would have been limited to 10 years. It failed by a vote of 59% to 40%. Then-state Rep. Dave Schatz (R-61), a longtime supporter of increased infrastructure funding, sponsored the legislation along with then-state Sen. Mike Kehoe (R-6), now Missouri’s lieutenant governor.

Missouri Amendment 7 ¹⁰		
Result	Votes	Percentage
No	591, 932	59.18%
Yes	408, 288	40.82%

In 2018, “Proposition D”, titled the *Gas Tax Increase, Olympic Prize Tax Exemption, and Traffic Reduction Fund Measure*¹¹, sought to incrementally increase the gas tax from 17 cents to 27 cents per gallon by June 2022. It also included provisions to exempt prizes for Special Olympics, Paralympics, and Olympics from state taxes and create a dedicated fund for road projects to reduce freight bottlenecks. The amendment failed on the ballot by a narrow margin 46% to 53%. Proposition D faced several challenges, including confusion over the inclusion of an Olympic tax exemption issue. The measure also became entangled in the politics surrounding the U.S. Senate race between incumbent U.S. Sen. Claire McCaskill and her successor, U.S. Sen. Josh Hawley.

Missouri Proposition D ¹²		
Result	Votes	Percentage
Yes	1,109,009	46.40%
No	1,281,143	53.60%

Following the failed ballot measures, transportation advocates looked to find another way to pass a gas-tax increase. Lawmakers in the state began to recognize how the referendum process hamstrung previous attempts to raise the gas tax. State Rep. Becky Ruth (R-114), one of the main sponsors of SB 262, noted that “Prop D got thrown together with a lot of unrelated issues...the McCaskill-Hawley Senate also changed the dynamic of the vote.”¹³

Referendums are often affected by the politics of the moment and Missouri policymakers sought a solution to raise badly needed funds while still adhering to the requirements of the Hancock Amendment. The refund clause of SB 262 fulfilled those requirements – that new revenue must be approved by voters – by allowing those who didn’t want to pay the tax, to claim a refund. This clause was modeled after transportation infrastructure legislation passed in South Carolina five years prior¹⁴. State Rep. Ruth stated this ultimately helped push the bill across the finish line as it “created a balance between comfort and discomfort.”¹⁵ It made SB 262 more appealing to those who weren’t comfortable with a new tax increase being passed onto consumers. Ultimately the bill passed and was signed into law by Gov. Mike Parsons (R) on July 13, 2021.

Support for the bill

Support from Governor and General Assembly

SB 262 received a great deal of support from both sides of the aisle as well as with numerous outside groups in Missouri. Gov. Parsons and Lt. Gov. Mike Kehoe (R), both longtime supporters of infrastructure funding, supported the measure from its inception¹⁶. The primary sponsor of the bill was state Sen. Dave Schatz (R-26), who also acted as the President Pro Tem of the chamber. State Sen. Schatz has been a longtime supporter of increasing infrastructure funding in Missouri¹⁷. Given his leadership position within the General Assembly, he was in a prime position to help SB 262 get through committee and onto the Senate floor, where it passed with a bipartisan vote of 21-13.

On the House side, the main sponsor and leading advocate of the bill was state Rep. Ruth. As chairwoman of the House Transportation Committee, she helped push the bill through committee and onto the House floor. During the committee's hearing on the bill, she distributed dozens of letters of support from various organizations¹⁸. The bill unanimously passed through the Transportation Committee and, after going through both the Rules and Fiscal Review Committees, passed the House on another bipartisan vote of 104-52¹⁹. Proponents of the bill within the legislature leveraged the bipartisan nature of the effort to their advantage and used the support from longtime transportation funding advocate Gov. Parsons to push the bill across the finish line.

Support from Industry

Many outside groups within Missouri helped advocate for the passage of SB 262. Missourians for Transportation Investment (MFTI) were among the key grassroots organizations that helped put pressure on lawmakers.²⁰ Jeff Glenn, executive director of MFTI, helped create a coalition of support for SB 262 by bringing together statewide groups. Len Toenjes, president of the Associated General Contractors (AGC) of Missouri and one of the founding members of MFTI, stated that MFTI “put together a great grassroots campaign and helped fill the capitol with advocates on a consistent basis.”²¹

The Missouri Society of Professional Engineers, Missouri REALTORS®, and the Missouri Trucking Association also advocated for SB 262. The Missouri Society of Professional Engineers lead many lobbying efforts within the state capitol to keep this issue in front of legislators. The Realtors introduced a “Party Call for Action” grassroots campaign, which allowed association members to contact their legislators directly to urge a ‘yes vote’ on the bill²². The realtors worked closely with state Rep. Ruth, who is a real estate agent herself, to help message the gas tax increase as an economic development issue. Sam Licklider, chief lobbyist for the Missouri REALTORS®, described SB 262 as a quality-of-life issue, saying, “you have lovely homes on poorly maintained roads, and no one will want to live there.”²³

Similarly, the Missouri Trucking Association framed the issue as a losing battle with proper highway funding. President and CEO of the Missouri Trucking Association Tom Crawford explained that for truckers “it is a challenge, and it is a challenge that has gotten worse – not better – over the last 20 years [referring to the issue of having to navigate around poor-quality roads]. The infrastructure is just failing us, and we haven’t made the investments to keep up with it.”²⁴

Arguments Supporting SB 262

Those in support argued that the state was long overdue for an increase in the gas tax. The last increase to the fuel tax in Missouri was in 1996, so the state had been operating on a nearly 25-year-old transportation budget.

Main Arguments:

- Missouri has the nation’s seventh-largest transportation system, yet funding ranks 45th – when calculated using a revenue per mile estimation²⁵. Missouri’s gas tax also ranks 49th in the nation, and the increase in SB 262 would put it in the middle of the pack²⁶.
 - The average state funds its transportation system at \$241,277 per mile while Missouri funds its transportation at only \$57,151 per mile²⁷.
 - This leaves Missouri with \$825 million in annual unfunded priority transportation projects²⁸.
- The lack of transportation funding in Missouri has become an economic development issue and one that impacts the quality of life of Missourians²⁹.
 - Poor quality roads and bridges are a deciding factor for many who choose to move and live in Missouri let alone any state.
 - If a community doesn’t have decent infrastructure where people and products can move safely and efficiently, they will look elsewhere to live and do business.
- The refund clause, modeled after similar legislation in South Carolina, makes it so that those who don’t feel comfortable with the increased tax can apply for a full refund.

- Increasing fees for alternative fuel decals and the creation of the Electric Vehicle Task Force ensures that Missouri is committed to the future sustainability of its transportation funding³⁰.
 - As the gas tax continues to lose effectiveness with the development of more fuel-efficient vehicles, it is imperative states find different ways to fund future infrastructure needs.

Opposition to the bill

There was little organized outside opposition to SB 262, with no testimony against the bill during House and Senate committee hearings. However, many legislators still voiced their opposition to the bill. Their most common arguments include:

- Framing the vote as a test of conservatism. State Rep. Dottie Bailey (R) argued to her GOP colleagues that those who vote for SB 262 without going to voters “shouldn’t call themselves Republicans.”³¹ Many other GOP lawmakers also argued that the decision to increase the gas tax should’ve gone to the people.
 - Missourians have a long history of voting down tax increases. Voters publicly defeated ballot measures in 2018 and 2014 to raise taxes for transportation infrastructure.
 - Voters also defeated a 2002 ballot measure to increase the sales and gas tax.
- Missouri already has an unprecedented amount of money in its general fund and received more than \$2.8 billion from federal COVID-19 relief legislation.³²
 - The general fund balance, state budget, and federal government support are all at record levels. Many GOP lawmakers contested that calls for increased tax revenues were overstated.
- SB 262 would ruin Missouri’s competitive advantage when it comes to the purchase of fuel³³.
 - The gas tax increase could mean that people from bordering states will no longer come to Missouri in search of cheaper gas prices.
- The refund program could result in millions of dollars in unknown administrative fees, drawing money away from tax revenues³⁴.
- The tax hike would impact low-income families the most³⁵.
 - Some Republican lawmakers in Missouri argued that the gas tax was regressive in that lower-income drivers typically operate older vehicles with worse gas mileage. This means that low-income individuals will pay more in gas and, thus, will pay more in taxes than wealthier individuals.

The greatest organized opposition to SB 262 came after the bill had passed. The conservative group Americans for Prosperity (AFP) filed a veto referendum to repeal the gas tax increase. The initiative would have been placed on the 2022 ballot. The campaign to repeal SB 262 was short-lived, however, as AFP suspended its signature-collecting campaign less than a month after Gov. Parsons signed the legislation³⁶.

Financial Impacts

Changes to anticipated revenue

Transportation revenues in Missouri are expected to increase following the passage of SB 262.

- SB 2626 increases the existing motor fuel tax of \$0.17/gallon by \$0.025/gallon each year through 2027 (see table 1)³⁷.
- SB 262 increases fees for alternative fuel decals by 20 percent each year through 2027. Fees for vehicles larger than 36,000 pounds increase by 10 percent each year.³⁸
- The Missouri Office of Budget and Planning (B&P) estimates that each \$0.025 annual increase in the motor fuel tax will generate an additional \$102.7 million in revenue. This would lead to a total increase of \$513.7 million over five years (see table 2)³⁹.

Table 1 – Timetable of Scheduled Fuel Tax Increases (measured in cents per gallon)⁴⁰

Date (FY)	Additional Tax	Total Motor Fuel Tax
Pre-SB 262 Rate	\$0.00	\$0.17 (existing gas tax)
10/21 – 06/22 (FY22)	\$0.025	\$0.195
07/22 – 06/23 (FY23)	\$0.050	\$0.220
07/23 – 06/24 (FY24)	\$0.075	\$0.245
07/24 – 06/25 (FY25)	\$0.100	\$0.270
07/25 and on (FY26+)	\$0.125	\$0.295 (final rate)

Table 2 – Motor Fuel Tax Increase Revenue by Fiscal Year⁴¹

Fuel Type	FY22	FY23	FY24	FY25	FY26	FY27
Gas	\$56,218,955	\$149,917,213	\$224,875,820	\$299,834,427	\$374,793,033	\$374,793,033
Diesel	\$20,845,888	\$55,589,035	\$83,383,553	\$111,178,070	\$138,972,588	\$138,972,588
Total	\$77,064,843	\$205,506,248	\$308,259,373	\$411,012,497	\$513,765,621	\$513,765,621

- SB 262 also includes a refund clause wherein drivers, both in-state and out-of-state, can claim 100 percent of the increased portion of the fuel tax. The rate at which refunds are processed and collected will ultimately impact potential revenue numbers. B&P reflected the impact of refunds on revenue as 15 to 100 percent of qualified motor fuel tax purchases (see table 3).

Table 3 – Motor Fuel Tax Increase Revenue by Fiscal Year (refund impact)⁴²

Fuel Type	FY22	FY23		FY24	
		High Refunds	Low Refunds	High Refunds	Low Refunds
Fuel Tax Revenue	\$77,064,843	\$202,506,248	\$205,506,248	\$308,259,373	\$308,259,373
Refund Exemption	\$0	(\$78,058,726)	(\$11,708,809)	(\$156,117,452)	(\$23,417,618)
Total Revenue	\$77,064,843	\$127,447,522	\$193,797,440	\$152,141,920	\$284,841,755

Table 3 Cont'd – Motor Fuel Tax Increase Revenue by Fiscal Year (refund impact)⁴³

Fuel Type	FY25		FY26		FY26	
	High Refunds	Low Refunds	High Refunds	Low Refunds	High Refunds	Low Refunds
Fuel Tax Revenue	\$411,012,497	\$411,012,497	\$513,765,621	\$513,765,621	\$513,765,621	\$513,765,621
Refund Exemption	(\$234,176,179)	(\$35,126,427)	(\$312,234,905)	(\$46,835,236)	(\$390,293,631)	(\$58,544,045)
Total Revenue	\$176,836,318	\$375,886,070	\$201,530,716	\$466,930,385	\$123,471,990	\$455,221,577

- B&P estimates that revenue increases from SB 262 will vary depending on the size of refunds. For instance, in FY 2026, B&P estimates that total revenue will increase between \$201,530,716 and \$66,930,385 annually.

Bottom Line

An increase in the Missouri gas tax was long overdue, according to transportation investment advocates. Missouri policymakers struggled for decades to fund its infrastructure needs amidst badly needed surface transportation repairs. Previous attempts were met with roadblocks, by failing to receive enough public support through referendums, and getting mired in outside political conflicts. Several factors helped ultimately push this most recent attempt to raise the gas tax across the finish line. Most important was having party leadership and Gov. Parsons in support of the legislation. He made transportation funding a top priority, which helped garner enough support from Republican lawmakers who remained mostly divided on the issue of raising the gas tax. Additionally, the coalition of outside groups and the advocacy campaigns they constructed helped pressure and educate lawmakers on the importance of updating the outdated gas tax. Finally, the refund clause served as a legislative tool to help make the bill more palatable to critics and allowed lawmakers to comply with the requirements of the Hancock Amendment. SB 262 will generate significant short-term revenue as result of increasing taxes and fees, while the creation of an Electric Vehicle Task Force ensures that Missouri is committed to the future sustainability of its transportation funding.

References

- 1 "Vote: House: SB 262 SBs 3rd READ - INFORMAL", LegiScan. <https://legiscan.com/MO/rollcall/SB262/id/1076200>.
- 2 "Vote: Senate: SB 262 SBs 3rd READ - INFORMAL", LegiScan. <https://legiscan.com/MO/rollcall/SB262/id/1077019>.
- 3 "SB262 - Modifies Provisions Relating to Transportation", Missouri Senate.
https://www.senate.mo.gov/21info/bts_web/Bill.aspx?SessionType=R&BillID=54298589.
- 4 "Vote: Senate: SB 262 SBs 3rd READ - INFORMAL", LegiScan. <https://legiscan.com/MO/rollcall/SB262/id/1077019>.
- 5 "Vote: House: SB 262 SBs 3rd READ - INFORMAL", LegiScan. <https://legiscan.com/MO/rollcall/SB262/id/1076200>.
- 6 Ibid.
- 7 Ibid.
- 8 "The Hancock Amendment: Missouri's Tax Limitation Measure", Kevin-Myers, Bridget, and Russ Hembree, Truman School of Public Affairs.
<https://truman.missouri.edu/sites/default/files/publication/17-2012-hancock-amendment.pdf>
- 9 "Funding History", Missouri Department of Transportation. <https://www.modot.org/funding-history>.
- 10 "Missouri Temporary Sales and Use Tax Increase for Transportation, Amendment 7 (August 2014)", Ballotpedia.
[https://ballotpedia.org/Missouri_Temporary_Sales_and_Use_Tax_Increase_for_Transportation,_Amendment_7_\(August_2014\)](https://ballotpedia.org/Missouri_Temporary_Sales_and_Use_Tax_Increase_for_Transportation,_Amendment_7_(August_2014)).
- 11 "Funding History", Missouri Department of Transportation. <https://www.modot.org/funding-history>.
- 12 Missouri Proposition D, Gas Tax Increase, Olympic Prize Tax Exemption, and Traffic Reduction Fund Measure (2018)", Ballotpedia.
[https://ballotpedia.org/Missouri_Proposition_D,_Gas_Tax_Increase,_Olympic_Prize_Tax_Exemption,_and_Traffic_Reduction_Fund_Measure_\(2018\)](https://ballotpedia.org/Missouri_Proposition_D,_Gas_Tax_Increase,_Olympic_Prize_Tax_Exemption,_and_Traffic_Reduction_Fund_Measure_(2018)).
- 13 "8th Annual 'National Workshop for State & Local Transportation Advocates' Jul 13-14, 2021", Transportation Investment Advocacy Center.
<https://transportationinvestment.org/events/workshop/2021-on-demand/>.
- 14 "South Carolina Senate Bill 1258 (Prior Session Legislation)", LegiScan. <https://legiscan.com/SC/text/S1258/id/1414158>.
- 15 "8th Annual 'National Workshop for State & Local Transportation Advocates' Jul 13-14, 2021", Transportation Investment Advocacy Center.
<https://transportationinvestment.org/events/workshop/2021-on-demand/>.
- 16 "Lt. Governor Mike Kehoe Wants Voters to Pass Gas Tax," KRCG. <https://krcgtv.com/news/local/lt-governor-mike-kehoe-wants-voters-to-pass-gas-tax>.
- 17 "McKenna: Schatz Deserve Praises for Work on Gas Tax," The Missourian. https://www.emissourian.com/local_news/mckenna-schatz-deserve-praises-for-work-on-gas-tax/article_34b7b1f2-1a21-11ec-a173-8f73f4cb37f3.html.
- 18 "Legislative Voting Record First Regular Session 2021", Associated General Contractors of Missouri.
<https://www.flipsnack.com/ae689fcf8d6/legislative-voting-record-2021-zhp8zrw5s4.html>
- 19 "Vote: House: SB 262 SBs 3rd READ - INFORMAL", LegiScan. <https://legiscan.com/MO/rollcall/SB262/id/1076200>.
- 20 "SB 2626", Missourians for Transportation Investment.
https://cdn.ymaws.com/www.mocities.com/resource/resmgr/legislation/MFTI_Legislative_Day_4-14-21.pdf
- 21 "8th Annual 'National Workshop for State & Local Transportation Advocates' Jul 13-14, 2021", Transportation Investment Advocacy Center.
<https://transportationinvestment.org/events/workshop/2021-on-demand/>.
- 22 "Missouri Realtors® Advocacy Helps Pass Fuel Tax for Transportation Funding", Missouri REALTORS®. <https://realtorparty.realtor/homepage/success-story/mo-adv-0721>.
- 23 Ibid.
- 24 "Will This Be The Year A Missouri Gas Tax Increase Proposal Passes?", MissouriNet. <https://www.missourinet.com/2021/05/10/will-this-be-the-year-a-missouri-gas-tax-increase-proposal-passes/>.
- 25 "The Situation", Missouri Can't Wait. <https://missouricantwait.com/letter-campaign/>
- 26 "Gas tax hike taking effect", Daily Journal. https://dailyjournalonline.com/gas-tax-hike-taking-effect/article_3795d668-c3a0-5f82-ae9c-e0ace178a703.html.
- 27 "The Situation", Missouri Can't Wait. <https://missouricantwait.com/letter-campaign/>
- 28 Ibid.
- 29 "Missouri Realtors® Advocacy Helps Pass Fuel Tax for Transportation Funding", Missouri REALTORS®. <https://realtorparty.realtor/homepage/success-story/mo-adv-0721>.

-
- 30 “Parsons greenlights gas tax increase”, The Missouri Times. <https://themissouritimes.com/parson-greenlights-gas-tax-increase/>
- 31 “Missouri Republicans divided over gas tax increase”, KSDK. <https://www.ksdk.com/article/news/politics/missouri-republicans-divided-gas-tax-increase/63-a79d530f-a079-4b5f-a749-c8bf63fc3676>.
- 32 “Missouri Drivers Likely To See First Gas Tax Hike In Decades”, St. Louis Public Radio. <https://news.stlpublicradio.org/government-politics-issues/2021-05-12/missouri-drivers-likely-to-see-first-gas-tax-hike-in-decades>.
- 33 “Gas tax bill moves toward the finish line”, KRCG. <https://krcgtv.com/news/local/gas-tax-bill-moves-toward-the-finish-line>.
- 34 “Over objections of conservatives, Missouri House approves boost in state gas tax”, St. Louis Post-Dispatch. https://www.stltoday.com/news/local/govt-and-politics/over-objections-of-conservatives-missouri-house-approves-boost-in-state-gas-tax/article_8315e9c9-9333-5c01-98ee-77291e5caca8.html
- 35 “Missouri Drivers Likely To See First Gas Tax Hike In Decades”, St. Louis Public Radio. <https://news.stlpublicradio.org/government-politics-issues/2021-05-12/missouri-drivers-likely-to-see-first-gas-tax-hike-in-decades>.
- 36 “Missouri Gas Tax Referendum (2022)”, Ballotpedia. [https://ballotpedia.org/Missouri_Gas_Tax_Referendum_\(2022\)](https://ballotpedia.org/Missouri_Gas_Tax_Referendum_(2022)).
- 37 “Fiscal Note”, Missouri Senate – Committee On Legislative Research Oversight Division. <https://www.senate.mo.gov/FiscalNotes/2021-1/1143S.11T.ORG.pdf>.
- 38 Ibid.
- 39 Ibid.
- 40 Ibid.
- 41 Ibid.
- 42 Ibid.
- 43 Ibid.