NORTH CAROLINA GENERAL ASSEMBLY

2026 First Extra Session

Fiscal Analysis Memorandum

CONFIDENTIAL

Requestor: Sen. Craven, Sen. McInnis, and Sen. B. Newton
Analyst(s): Nick Clerkin
RE: SB 2 - Relief at the Pump

SUMMARY TABLE

FISCAL IMPACT OF S.B. 2, V.1 ($ in millions)

	FY 2026-27	FY 2027-28	FY 2028-29	FY 2029-30	FY 2030-31
State Impact					
Stabilization and Inflation Reserve (SIR)	-	-	-	-	-
Less Transfers	362	-	-	-	-
SIR Balance Impact	**(362)**	**-**	**-**	**-**	**-**
Highway Funds Revenue	**No Net Impact - See Fiscal Analysis Section**				
Less Expenditures					
Highway Funds Impact					
Special Funds Revenue	**No Net Impact - See Fiscal Analysis Section**				
Less Expenditures					
Special Funds Impact					
NET STATE IMPACT	**(362)**	**-**	**-**	**-**	**-**

FISCAL IMPACT SUMMARY

The bill makes several changes to the motor fuels tax (MFT) which are expected to reduce motor fuels tax revenue by $362.3 million in FY 2026-27. This reduction is offset by a transfer from the Stabilization and Inflation Reserve, holding harmless all funds that receive motor fuels tax revenue and decreasing the Stabilization and Inflation Reserve cash balance.

Subsection 1(a) sets the MFT rate at zero cents per gallon from the day after the date the bill becomes law until November 30, 2026. This section is expected to reduce revenues to the Highway Fund, Highway Trust Fund, Commercial Leaking Petroleum Underground Storage Tank Cleanup Fund, Water and Air Quality Account, Wildlife Resources Fund, and Shallow Draft Navigation Channel Dredging and Aquatic Weed Fund (collectively, "the MFT recipients") by $362.3 million in FY 2026-27.

Subsection 1(e) holds the MFT recipients harmless, directing the Department of Revenue (DOR) to notify the Office of the State Controller (OSC) of the amounts that would have been collected if not for the suspension of the MFT in subsection 1(a). On a monthly basis, OSC is directed to transfer the hold harmless amounts from the Stabilization and Inflation Reserve to the MFT recipients. This section is expected to increase revenue to the motor fuels tax recipients by $362.3 million, resulting in no net impact on revenues to those funds, while also decreasing the Stabilization and Inflation Reserve cash balance by $362.3 million.

Other sections of the bill are expected to have a negligible fiscal impact.

FISCAL ANALYSIS

Section 1

Subsection 1(a) - Motor Fuels Tax Suspension: The motor fuels tax is assessed on motor fuels including gasoline, diesel, and blended fuel and is paid primarily by fuel suppliers and importers. In 2026, the motor fuels tax rate is 41.0 cents per gallon.

This subsection of the bill would reduce revenue by setting the MFT rate at zero cents per gallon between the day after the effective date of the bill and November 30, 2026. To estimate the fiscal impact, the Fiscal Research Division (FRD) first assumed which period of time would be impacted by the suspension and estimated the number of gallons sold during that time. Then, the impacts of the rate, refunds, and the hold harmless transfer from the Stabilization and Inflation Reserve were considered. Table 1 summarizes the fiscal impact of this change, with explanation following:

Table 1: Motor Fuels Tax Suspension Fiscal Impact Calculation

Change in Taxable Gallons		2026 Tax Rate		Gross MFT Revenue Foregone		Refunds Not Issued		**Net Revenue Impact**
-928.6 million	x	41.0 cents	=	-$380.7 million	+	$18.4 million	=	**-$362.3 million**

The May 2026 Consensus Revenue Forecast anticipated that 6,583.1 million gallons of motor fuels would be subject to the motor fuels tax in FY 2026-27. FRD assumes the bill's impact would occur between October 10, 2026, and November 30, 2026, a 52-day suspension. Using a monthly model based on historical shares of collections and applying it to the Consensus Revenue Forecast estimate, FRD estimates that 928.6 million gallons would be impacted by a 52-day suspension across October and November. At the 2026 rate of 41.0 cents per gallon, these gallons account for $380.7 million in gross tax revenue.

FRD assumes that suspending accrual of the tax liability would reduce future motor fuels tax refunds, as taxes never paid would not be eligible for refunds. FRD estimates the refund amount to be $18.4 million based on historical average refunds. FRD thus estimates a net reduction of $362.3 million, the sum of the gross collections foregone (-$380.7 million) and the refunds unissued (+$18.4 million.)

Subsection 1(e) - MFT Recipients Hold Harmless: This subsection directs DOR to notify OSC of the amounts that would have been collected during the suspension and transfer the hold harmless amounts from the Stabilization and Inflation Reserve to the MFT recipients. The hold harmless transfer would increase revenue to the MFT recipients, resulting in no net impact from the suspension to their budgets. Table 2 below shows the estimated impact on each fund:

Table 2: Net Impact of MFT Suspension and Hold Harmless Transfer by Fund

Fund	Estimated MFT Suspension Impact	Estimated Hold Harmless Transfer	Net Impact
Highway Fund	$(265,400,000)	$265,400,000	$-
Highway Trust Fund	$(89,500,000)	$89,500,000	$-
Underground Storage Tank Cleanup Fund	$(2,900,000)	$2,900,000	$-
Water and Air Quality Account	$(1,300,000)	$1,300,000	$-
Wildlife Resources Fund	$(500,000)	$500,000	$-
Shallow Draft Navigation Channel Dredging and Aquatic Weed Fund	$(2,700,000)	$2,700,000	$-
Stabilization and Inflation Reserve	**$-**	**$(362,300,000)**	**$(362,300,000)**

FRD assumes that all changes to revenue and hold harmless transfers are completed within FY 2026-27 and that the portion allocated to the Highway Fund is net of the transfers to the Wildlife Resources Fund and the Shallow Draft Navigation Channel Dredging and Aquatic Weed Fund per G.S. 105-449.126.

Reserve Balance Note: FRD estimates that the Stabilization and Inflation Reserve has an unappropriated balance of approximately $518.4 million. This bill is estimated to reduce that balance by $362.3 million, leaving a remaining unappropriated balance of approximately $156.1 million.

Other Sections

Section 2 waives enforcement of civil and criminal penalties for highway use of dyed diesel for farming or agricultural purposes from the effective date of the bill through December 31, 2026. **Section 3** prevents accrual of motor fuels tax liability for highway use of dyed diesel by certain users from October 1, 2026, through December 31, 2026. Dyed diesel is not subject to the motor fuels tax because it is only legally permissible for off-highway use. FRD cannot estimate the impact these changes would have on motor fuels tax collections because it is not known how many users would change their behavior based on the waiver of the enforcement of the civil and criminal penalties and the exemption from tax liability. Any impact is expected to be negligible.

TECHNICAL CONSIDERATIONS

This analysis assumes that this bill will become law on October 9, 2026, with the suspension of the motor fuels tax in effect beginning October 10, 2026, for 52 days. If the bill becomes law on a different date, the amount of tax foregone and the equal and offsetting hold harmless transfer amount will change. FRD estimates that a 1-day change equals a $7 million change in net tax revenue collected, modifying the transfer from the Stabilization and Inflation Reserve by that same amount.

This estimate does not account for any potential change in consumer behavior related to the suspension of the motor fuels tax.

DATA SOURCES

May 2026 Consensus Revenue Forecast.

FISCAL ANALYSIS MEMORANDUM – PURPOSE AND LIMITATIONS

This document is a fiscal analysis of a bill, draft bill, amendment, committee substitute, or conference committee report that is confidential under Chapter 120 of the General Statutes. The estimates in this analysis are based on the data, assumptions, and methodology described in the Fiscal Analysis section of this document. This document only addresses sections of the bill that have projected direct fiscal impacts on State or local governments and does not address sections that have no projected fiscal impacts. This document is not an official fiscal note. If a formal fiscal note is requested, please email your request to the Fiscal Research Division at FiscalNoteRequests@ncleg.net or call (919) 733-4910.