
Technical Supplement to Transportation Funding Overview

**Department of Legislative Services
Office of Policy Analysis
Annapolis, Maryland**

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Motor Fuel Tax

Description

Currently, motor fuel is taxed per gallon at the following rates:

Gasoline	23.50 cents
Special fuel (<i>e.g.</i> , diesel)	24.25 cents
Aviation fuel	7.00 cents

The following parties are subject to the motor fuel tax:

- licensed dealers that import gasoline or aviation fuel into Maryland, or purchase such fuel in Maryland for sale or redistribution at wholesale;
- licensed special fuel sellers or any special fuel on which the motor fuel tax has not been paid; and
- licensed special fuel users that purchase special fuel for use in a motor vehicle.

Exemptions are provided for motor fuel sold to the federal government, motor fuel purchased from the Department of General Services, and fuel for use by a diplomatic mission or personnel.

Revenue Trends

Revenue growth for the motor fuel tax is largely derived from growth in vehicle miles traveled or consumption. As consumption increases, so too does revenue collections. As such, motor fuel tax revenue growth is a fairly stable revenue source with revenue growth fluctuating between 1 and 2 percent. Higher gas prices do not appear to adversely affect consumer consumption of motor fuel; however, individuals may look to purchase more fuel-efficient automobiles. To the extent that automobiles become more fuel-efficient or higher gas prices persist, motor fuel tax revenues may stagnant or slowly erode.

In fiscal 2008, revenues from the motor fuel tax are estimated at \$780 million.

There are several distributions to various general fund agencies. These include:

- fuel tax revenues exceeding 18.5 cents are distributed to the Gasoline Motor Vehicle Account;
- 0.3 percent of 18.5 cents of the motor fuel tax are distributed to the Waterway Improvement Fund;
- 0.3 percent of 18.5 cents to the Fisheries Research and Development Fund; and
- 2.3 percent to the general fund for Chesapeake Bay-related programs.

History of Increases

The motor fuel tax was last increased in 1992. **Exhibit 1** provides a history of the motor fuel tax rate from 1972 through present.

Exhibit 1 Gas Tax Increases Since 1972

1972	Tax rate increased to 9.0 cents per gallon.
1982	Tax rate increased to 11.0 cents per gallon.
1983	Tax rate increased to 13.5 cents per gallon.
1987	Tax rate increased to 18.5 cents per gallon.
1992	Tax rate increased to 23.5 cents per gallon.

Source: *Legislative Handbook Series, Volume III, 2006, Maryland's Revenue Structure*

Comparison of Tax Rates

Exhibits 2 and 3 compare Maryland's motor fuel excise tax rate to other states. As highlighted in the chart, Maryland has the seventeenth highest excise tax in the nation. When other state motor fuel-related taxes are included (such as a sales tax), Maryland has the twenty-sixth highest tax rate.

Exhibit 2
Motor Fuel Tax Rate

<u>State</u>	<u>Rate</u>	<u>Rank</u>	<u>State</u>	<u>Rate</u>	<u>Rank</u>
Washington	31.0	1	Columbia	20.0	27
Pennsylvania	30.0	2	Louisiana	20.0	27
Rhode Island	30.0	2	Minnesota	20.0	27
Wisconsin	29.9	4	Texas	20.0	27
Ohio	28.0	5	Vermont	20.0	27
Montana	27.8	6	New Hampshire	19.5	32
North Carolina	27.1	7	Illinois	19.0	33
West Virginia	27.0	8	Michigan	19.0	33
Maine	26.0	9	New Mexico	18.9	35
Nebraska	25.3	10	Kentucky	18.5	36
Connecticut	25.0	11	Mississippi	18.4	37
Idaho	25.0	11	Alabama	18.0	38
Nevada	24.8	13	Arizona	18.0	38
Utah	24.5	14	California	18.0	38
Oregon	24.0	15	Indiana	18.0	38
Kansas	24.0	15	Virginia	17.5	42
Maryland	23.5	17	Missouri	17.0	43
New York	23.3	18	Oklahoma	17.0	43
Delaware	23.0	19	Hawaii	16.0	45
North Dakota	23.0	19	South Carolina	16.0	45
Colorado	22.0	19	Florida	14.5	47
South Dakota	22.0	19	Wyoming	14.0	48
Arkansas	21.7	23	New Jersey	10.5	49
Tennessee	21.4	24	Alaska	8.0	50
Massachusetts	21.0	25	Georgia	7.5	51
Iowa	20.7	26			

Source: Federal Highway Administration

Exhibit 3
Total Motor Fuel Tax Rates
(Includes All Other State Motor Fuel-related Taxes)

<u>State</u>	<u>Rate</u>	<u>Rank</u>	<u>State</u>	<u>Rate</u>	<u>Rank</u>
California	44.4	1	Massachusetts	23.5	26
Connecticut	43.9	2	Delaware	23.0	28
New York	40.9	3	North Dakota	23.0	28
Illinois	40.6	4	Colorado	22.0	30
Michigan	36.2	5	Arkansas	21.8	31
Wisconsin	32.9	6	Iowa	21.7	32
Florida	32.6	7	Tennessee	21.4	33
Hawaii	32.6	7	Alabama	20.2	34
Nevada	32.5	9	Minnesota	20.0	35
Pennsylvania	32.3	10	D.C.	20.0	35
Indiana	31.6	11	Louisiana	20.0	35
West Virginia	31.5	12	Texas	20.0	35
Rhode Island	31.0	13	Vermont	20.0	35
North Carolina	30.0	14	New Hampshire	19.6	40
Maine	29.1	15	Virginia	19.6	40
Ohio	28.0	16	Arizona	19.0	42
Nebraska	27.9	17	Mississippi	18.8	43
Montana	27.8	18	Kentucky	18.5	44
Georgia	26.5	19	New Mexico	18.0	45
Alaska	26.4	20	Missouri	17.6	46
Idaho	25.0	21	Oklahoma	17.0	47
Kansas	25.0	21	South Carolina	16.8	48
Oregon	25.0	21	New Jersey	14.5	49
Utah	24.5	24	Wyoming	14.0	50
South Dakota	24.0	25	Alaska	8.0	51
Maryland	23.5	26			

Source: American Petroleum Institute

Motor Fuel Tax Rates and Burdens

One method available to gauge the tax burden on citizens is to look at the average tax paid as a percentage of median income. Using this measure, **Exhibit 4** shows that Maryland has the third lowest tax burden. Yet, looking at these same surrounding states, Maryland has the fourth highest motor fuel tax rate. The reason for this discrepancy is that Maryland is a wealthier State than its neighbors. This means that all other things being equal, a state with a higher median income will have a lower tax burden for its citizens, even if tax rates are the same.

It is also important to note that Virginia, North Carolina, and Pennsylvania, the three states with the highest average tax paid, all have some variation of an indexed motor fuel tax rate rather than a flat excise rate.

Exhibit 4 Motor Fuel Tax Burdens

<u>State</u>	<u>Average Tax Paid</u>	<u>As Percent of Median Income</u>	<u>Rank</u>	<u>Tax Rate</u>	<u>Rank</u>
West Virginia	189.32	0.54%	1	31.5	2
North Carolina	180.30	0.42%	2	30.0	3
Pennsylvania	193.52	0.42%	2	32.3	1
Delaware	138.23	0.26%	4	23.0	5
District of Columbia	120.20	0.23%	5	20.0	6
Maryland	141.24	0.22%	6	23.5	4
Virginia	117.80	0.21%	7	19.6	7
New Jersey	87.15	0.14%	8	14.5	8

Source: This calculation is based upon a national average for passenger cars average fuel consumption per vehicle in gallons for 2005, which is 601 gallons according to the Federal Highway Administration.

Titling Tax

Description of Tax

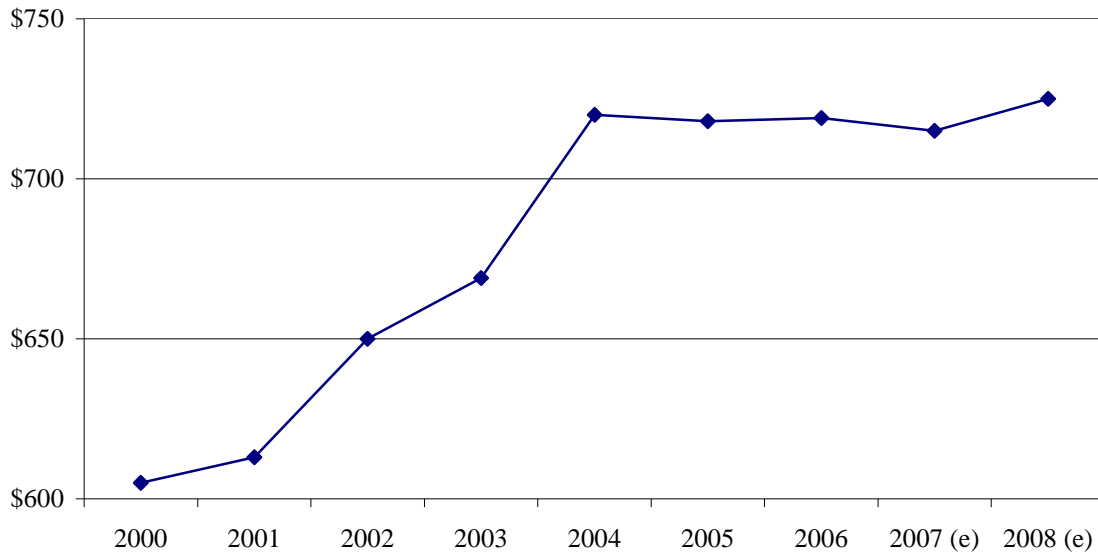
A 5 percent vehicle excise, or titling tax, is applied to the purchase price or fair market value of all new and used motor vehicles at the time of sale. The titling tax rate was last increased in 1978. The Motor Vehicle Administration is responsible for the administration and collection of the titling tax.

Revenue Trends

As shown in **Exhibit 5**, titling tax receipts fluctuate from year to year due to consumer purchases of vehicles. Vehicle purchases are influenced by interest rates, consumer confidence, gas prices, and the purchase price of new vehicles.

Currently, 20 percent of the titling tax is deposited directly into the Transportation Trust Fund (TTF). The remaining 80 percent of titling tax receipts are deposited into the Gasoline and Motor Vehicle Revenue Account (GMVRA). The GMVRA is then distributed among the TTF and local jurisdictions under a 70 percent/30 percent distribution. The larger part of that distribution goes to the TTF.

Exhibit 5
Titling Tax Revenue
Fiscal 2000-2008
(\$ in Millions)



Source: Department of Legislative Services

Comparison with Other States

Exhibit 6 summarizes the vehicle excise tax rates imposed by neighboring states. The 5 percent assessed by Maryland ranks in the middle of surrounding states in terms of the rate assessed at the time of purchase. There are two notable differences between Maryland and some of the surrounding states. First, Virginia, North Carolina, and West Virginia each include vehicles in the calculation for the annual assessment of property tax, meaning that individuals pay a tax on vehicles annually rather than on a one-time basis as in Maryland. Second, all of the surrounding states except for Virginia, District of Columbia, and Maryland allow individuals to reduce the purchase price of a vehicle by the amount of a trade-in vehicle.

Exhibit 6 Taxes on Vehicle Purchases

<u>State</u>	<u>Tax</u>	<u>Rate</u>	<u>Trade-in Deduction</u>
Maryland	Titling Tax	5 percent of vehicle purchase price	No
Delaware	Vehicle Document Fee	3.25 percent of vehicle purchase price	Yes
Pennsylvania	Sales Tax	6 percent of purchase price (7 percent in Philadelphia and Allegheny County)	Yes
New Jersey	Sales Tax	7 percent of purchase price	Yes
North Carolina	Highway Use Tax	3 percent of purchase price paid annually. Also, local property tax rate assessed by county annually	Yes
West Virginia	Titling Tax	5 percent of fair market value of vehicle plus a 2 percent personal property tax	Yes
Virginia	Sales Tax	3 percent sales and use tax based on the vehicle's gross sales price or \$35, whichever is greater, plus personal property tax	No
District of Columbia	Titling Tax	6 to 8 percent depending on the weight of the vehicle	No

Source: Department of Legislative Services
