

Department of Legislative Services  
 Maryland General Assembly  
 2009 Session

FISCAL AND POLICY NOTE

House Bill 747 (Delegate Barkley)  
 Ways and Means

Motor Fuel Tax - Adjustments

This bill increases the State motor fuel tax rate for all fuels except aviation gasoline and turbine fuel by one-half cent. Beginning July 1, 2010, these tax rates will be indexed to the change in the Construction Cost Index (CCI) and would potentially increase once in a fiscal year based on the percentage change in the CCI; however, the increase is limited to one cent per gallon in each fiscal year.

The bill takes effect July 1, 2009.

Fiscal Summary

**State Effect:** Transportation Trust Fund (TTF) revenues increase by \$15.7 million in FY 2010; with the State share totaling \$11.0 million. Future year revenues reflect estimated fuel consumption and inflation. Expenditures are not affected.

(\$ in millions)	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014
SF Revenue	\$15.7	\$34.9	\$51.2	\$70.8	\$90.7
Expenditure	0	0	0	0	0
Net Effect	\$15.7	\$34.9	\$51.2	\$70.8	\$90.7

*Note:() = decrease; GF = general funds; FF = federal funds; SF = special funds; - = indeterminate effect*

**Local Effect:** Local highway user revenues increase by \$4.7 million in FY 2010 and by \$27.2 million in FY 2014. Local expenditures are not affected.

**Small Business Effect:** Minimal.

## Analysis

**Bill Summary:** This bill increases the motor fuel tax rate for all fuels except aviation gasoline and turbine fuel by one-half a cent. The bill also indexes the motor fuel tax rates for all fuels except aviation gasoline or turbine fuel to the CCI published by the Engineering News-Record (ENR). Beginning July 1, 2010 motor fuel rates will increase annually if the Comptroller's Office determines the CCI has increased over a specified time period. The increase will be the percentage change in the CCI multiplied by the current motor fuel tax rates, rounded up to the nearest one-tenth of one cent. Motor fuel tax rates cannot increase by more than one cent per gallon in any fiscal year.

The bill also imposes a floor tax on any person possessing tax-paid motor fuel for sale at the start of business on the date of any increase in the motor fuel tax under the bill. Individuals are required to compile and file an inventory of the motor fuel tax held at the close of business on the preceding date and remit within 30 days any additional motor fuel tax that is due.

**Current Law:** The State motor fuel tax rate per gallon or gasoline-equivalent gallon is: 23.5 cents for gasoline; 24.25 cents for special fuel (diesel); 7 cents for aviation gasoline and turbine fuel; and 23.5 cents for clean burning fuel. The motor fuel tax rate is not indexed or automatically adjusted. The State is projected to collect \$749.1 million in motor fuel taxes in fiscal 2010.

**Background:** Some states, including Maryland, impose only a motor fuel excise tax, while other states impose both an excise tax and a sales tax. The total motor fuel tax rates for gasoline in neighboring jurisdictions are shown in **Exhibit 1**. These rates are in addition to a federal motor fuel tax of 18.4 cents per gallon of gasoline and 24.4 cents per gallon of diesel fuel. Compared to other states, Maryland's fuel tax rates are slightly below the national average.

ENR publishes both a Construction Cost Index and Building Cost Index that are widely used in the construction industry. CCI calculates the estimate 20-city average change in common labor wages and fringe benefits, structural steel, bulk portland cement, and lumber. ENR index measures how much it costs to purchase this hypothetical package of goods compared to what it was in the base year. Compared to the Consumer Price Index (CPI), which is a measure of the change in overall prices in the economy, the CCI within the last 10 years has increase by about 3.5% annually compared with a 2.8% annual average increase in the CPI.

---

**Exhibit 1**  
**Total Motor Fuel Tax Rates in Surrounding Jurisdictions**  
(cents per gallon)

	<u>Gasoline</u>	<u>Diesel</u>
Delaware	23.0 ¢	22.00 ¢
District of Columbia	20.0	31.00
Pennsylvania	32.3	39.20
Virginia	19.0	19.30
West Virginia	32.2	32.10
Maryland	23.5	24.25

Source: American Petroleum Institute

---

**State Revenues:** TTF revenues increase by \$15.7 million in fiscal 2010 as a result of increasing motor fuel tax rates by one-half cent. **Exhibit 2** illustrates the fiscal effect and the cumulative increase in motor fuel tax rates under the bill. The estimate is based on current forecasts for motor fuel consumption and changes in the CCI.

---

**Exhibit 2**  
**Estimated Revenue Impact and Cumulative Tax Rate Increase**

	<u>FY 2010</u>	<u>FY 2011</u>	<u>FY 2012</u>	<u>FY 2013</u>	<u>FY 2014</u>
Motor Fuel Tax Rate Increase (Cumulative Increase)	0.5¢	1.1¢	1.6¢	2.2¢	2.8¢
<b>Total TTF</b>	<b>\$15,734,000</b>	<b>\$34,926,300</b>	<b>\$51,157,600</b>	<b>\$70,834,000</b>	<b>\$90,693,300</b>
MDOT Share	11,013,800	24,448,400	35,810,300	49,583,800	63,485,300
Local Share	4,720,200	10,477,900	15,347,300	21,250,200	27,208,000

---

**Local Effect:** Local governments receive a portion of TTF revenues in the form of local highway user revenues for the purpose of constructing and maintaining local roads. Pursuant to this legislation, local highway user revenues increase by \$4.7 million in fiscal 2010 and by \$27.2 million in fiscal 2014, as shown in Exhibit 2. Local expenditures are not affected. **Exhibit 3** shows the impact by local jurisdiction in fiscal 2010 and **Exhibit 4** shows the potential impact over the five-year period based on fiscal 2010 allocations (road mileage and vehicle registration).

**Exhibit 3**  
**Impact on Local Highway User Revenues in Fiscal 2010**

<u>County</u>	<u>Allowance</u>	<u>HB 746</u>	<u>Difference</u>
Allegany	\$6,394,986	\$6,452,486	\$57,500
Anne Arundel	27,917,208	28,168,222	251,014
Baltimore City	193,582,000	195,726,779	2,144,779
Baltimore	37,553,431	37,891,089	337,658
Calvert	6,205,441	6,261,236	55,795
Caroline	4,441,617	4,481,553	39,936
Carroll	12,540,510	12,653,266	112,756
Cecil	6,949,589	7,012,076	62,487
Charles	9,000,403	9,081,329	80,926
Dorchester	4,910,933	4,955,089	44,156
Frederick	16,542,125	16,690,861	148,736
Garrett	5,560,772	5,610,771	49,999
Harford	14,563,752	14,694,700	130,948
Howard	13,826,941	13,951,265	124,324
Kent	2,495,934	2,518,376	22,442
Montgomery	39,223,587	39,576,262	352,675
Prince George's	34,171,219	34,478,466	307,247
Queen Anne's	5,139,638	5,185,850	46,212
St. Mary's	6,908,957	6,971,077	62,120
Somerset	2,966,950	2,993,627	26,677
Talbot	4,090,384	4,127,163	36,779
Washington	10,640,199	10,735,869	95,670
Wicomico	8,293,415	8,367,984	74,569
Worcester	6,094,108	6,148,903	54,795
<b>Total</b>	<b>\$480,014,099</b>	<b>\$484,734,299</b>	<b>\$4,720,200</b>

**Exhibit 4**  
**Estimated Increase in Local Highway User Revenues**  
**Based on Fiscal 2010 Allocation**

<u>County</u>	<u>FY 2010</u>	<u>FY 2011</u>	<u>FY 2012</u>	<u>FY 2013</u>	<u>FY 2014</u>
Allegany	\$58,000	\$128,000	\$187,000	\$259,000	\$332,000
Anne Arundel	251,000	557,000	816,000	1,130,000	1,447,000
Baltimore City	2,145,000	4,760,000	6,972,000	9,654,000	12,360,000
Baltimore	338,000	750,000	1,098,000	1,520,000	1,947,000
Calvert	56,000	124,000	181,000	251,000	322,000
Caroline	40,000	89,000	130,000	180,000	230,000
Carroll	113,000	250,000	367,000	508,000	650,000
Cecil	62,000	139,000	203,000	281,000	360,000
Charles	81,000	180,000	263,000	364,000	467,000
Dorchester	44,000	98,000	144,000	199,000	255,000
Frederick	149,000	330,000	484,000	670,000	858,000
Garrett	50,000	111,000	163,000	225,000	288,000
Harford	131,000	291,000	426,000	590,000	755,000
Howard	124,000	276,000	404,000	560,000	717,000
Kent	22,000	50,000	73,000	101,000	129,000
Montgomery	353,000	783,000	1,147,000	1,588,000	2,033,000
Prince George's	307,000	682,000	999,000	1,383,000	1,771,000
Queen Anne's	46,000	103,000	150,000	208,000	266,000
St. Mary's	62,000	138,000	202,000	280,000	358,000
Somerset	27,000	59,000	87,000	120,000	154,000
Talbot	37,000	82,000	120,000	166,000	212,000
Washington	96,000	212,000	311,000	431,000	552,000
Wicomico	75,000	166,000	242,000	336,000	430,000
Worcester	55,000	122,000	178,000	247,000	316,000
<b>Total</b>	<b>\$4,720,000</b>	<b>\$10,478,000</b>	<b>\$15,347,000</b>	<b>\$21,250,000</b>	<b>\$27,208,000</b>

**Small Business Effect:** Small businesses for which motor fuel constitutes a significant portion of their costs (transportation firms, delivery companies, taxicabs, *etc.*) will have increased tax burdens as a result of the bill. Based on the estimated increases under the bill the impact is expected to be minimal. The incidence of the tax will be shared by customers through higher product prices and owners of the small businesses. Small businesses may potentially benefit to the extent that additional transit funding improves the State's infrastructure.

---

### **Additional Information**

**Prior Introductions:** None.

**Cross File:** None.

**Information Source(s):** American Petroleum Institute, Comptroller's Office, Engineering News-Record, Maryland Department of Transportation, Moody's Investor Services, Department of Legislative Services

**Fiscal Note History:** First Reader - February 18, 2009  
mam/hlb

---

Analysis by: Robert J. Rehrmann

Direct Inquiries to:  
(410) 946-5510  
(301) 970-5510