

**Department of Legislative Services**  
Maryland General Assembly  
2013 Session

**FISCAL AND POLICY NOTE**

Senate Bill 574

(Senator Robey, *et al.*)

Budget and Taxation

**Motor Fuel Tax - Exemption - Use in City- or County-Owned Vehicles**

This bill exempts from the State motor fuel tax fuel that is purchased for use in county or Baltimore City government vehicles.

The bill takes effect July 1, 2013.

**Fiscal Summary**

**State Effect:** Transportation Trust Fund (TTF) revenues decrease by \$8.8 million in FY 2014, of which the State's share is \$8.0 million. Future year revenue estimates reflect estimated growth in county fuel consumption. Expenditures are not affected.

(\$ in millions)	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
SF Revenue	(\$8.8)	(\$8.9)	(\$9.0)	(\$9.1)	(\$9.3)
Expenditure	0	0	0	0	0
Net Effect	(\$8.8)	(\$8.9)	(\$9.0)	(\$9.1)	(\$9.3)

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

**Local Effect:** Counties and Baltimore City will realize a net total savings of \$8.0 million in FY 2014. This represents a \$8.8 million decrease in motor fuel tax payments and a \$811,500 decrease in local highway user revenues. Local highway user revenues distributed to municipalities will decrease by \$35,300 in FY 2014. No effect on expenditures.

**Small Business Effect:** None.

## Analysis

**Current Law/Background:** 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. Current law provides several exemptions from the motor fuel tax based on the entity that consumes the fuel or fuel usage. The motor fuel tax does not apply to the sale of special fuel that is dyed and used for uses other than in a licensed motor vehicle, delivered into a tank used only for heating, or used for any other purpose other than propelling a motor vehicle or turbine-powered aircraft. The motor fuel tax also does not apply to motor fuel purchased by (1) the Department of General Services for use by State agencies; (2) certain diplomatic missions and personnel; and (3) the federal government. Claims for refunds from the motor fuel tax may be filed by certain entities if the motor fuel is used for specified uses, including if the fuel is used to operate a local government bus system.

After making specified deductions, 90.4% of motor fuel revenues is retained by the Maryland Department of Transportation (MDOT) and 9.6% is distributed to local governments (7.7% to Baltimore City, 1.5% to county governments, and 0.4% to municipal governments). The funds retained by TTF support MDOT's capital program, debt service, and operating costs. Local governments use highway user revenues to help fund local transportation projects.

**Appendix 1** shows the estimated amount of annual motor fuel tax payments by county in calendar 2012.

**State and Local Fiscal Effect:** The bill exempts from the State motor fuel tax fuel that is purchased for use in county and Baltimore City government vehicles. As a result, TTF revenues will decrease by an estimated \$8.8 million in fiscal 2014, of which the State's share is \$8.0 million. **Exhibit 1** shows the impact of the bill on the State, counties, and municipalities.

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**Exhibit 1**  
**State and Local Government Net Impact**  
**Fiscal 2014-2018**

	<u>FY 2014</u>	<u>FY 2015</u>	<u>FY 2016</u>	<u>FY 2017</u>	<u>FY 2018</u>
<b>Motor Fuel Taxes</b>	<b>(\$8,820,500)</b>	<b>(\$8,926,300)</b>	<b>(\$9,033,500)</b>	<b>(\$9,141,900)</b>	<b>(\$9,251,600)</b>
<b>State</b>					
MDOT	(\$7,973,700)	(\$8,069,400)	(\$8,166,300)	(\$8,264,300)	(\$8,363,400)
<b>Counties</b>					
Motor Fuel Taxes	8,820,500	8,926,300	9,033,500	9,141,900	9,251,600
LHUR	(811,500)	(821,200)	(831,100)	(841,000)	(851,200)
<b>Net Effect</b>	<b>\$8,009,000</b>	<b>\$8,105,100</b>	<b>\$8,202,400</b>	<b>\$8,300,000</b>	<b>\$8,400,400</b>
<b>Municipalities</b>					
LHUR	(\$35,300)	(\$35,700)	(\$36,100)	(\$36,600)	(\$37,000)

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This estimate is based on data provided by the Maryland Association of Counties on each county's estimated motor fuel taxes paid. Except for Baltimore County, this amount does not include fuel used in county-owned school buses. The total amount of motor fuel taxes paid in other counties is increased based on the following facts:

- School buses in all counties except for Baltimore County traveled about 110 million miles in the 2010-2011 school year.
- About one-half of these school buses are county-owned and have a fuel economy ranging from 7.5 to 10 miles per gallon.

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**Additional Information**

**Prior Introductions:** None.

**Cross File:** None.

**Information Source(s):** Maryland Association of Counties, Maryland State Department of Education, Maryland Department of Transportation, Department of Legislative Services

**Fiscal Note History:** First Reader - February 18, 2013  
ncs/jrb

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**Appendix – Estimated Motor Fuel Tax Payments  
Calendar 2012**

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<b>County</b>	<b>Amount</b>
Allegany	\$20,000
Anne Arundel	550,000
Baltimore City	950,000
Baltimore	1,500,000
Calvert	105,000
Caroline	21,150
Carroll	60,000
Cecil	15,400
Charles	152,544
Dorchester	44,180
Frederick	469,200
Garrett	84,000
Harford	250,000
Howard	320,000
Kent	25,000
Montgomery	1,213,435
Prince George's	1,014,030
Queen Anne's	40,600
St. Mary's	38,536
Somerset	43,000
Talbot	23,192
Washington	75,000
Wicomico	68,820
Worcester	83,377
<b>Total</b>	<b>\$7,166,464</b>

Note: Except for Baltimore County, this amount does not include fuel used in county-owned school buses.

Source: Maryland Association of Counties