SB0261-2023 Repeal Annual CPI increase in Motor Fu

Uploaded by: Ella Ennis

Position: FAV

Ella Ennis, Legislative Chairman
Maryland Federation of Republican Women
PO Box 6040, Annapolis MD 21401
Email: eee437@comcast.net

The Honorable Guy Guzzone, Chairman
and Members of the Committee on Budget and Taxation
Senate of Maryland
Annapolis, Maryland

RE: **SB 0261** – Motor Fuel Tax Rates – Consumer Price Index Adjustment -Repeal – **SUPPORT**

Dear Chairman Guzzone and Committee Members,

The 1,426 members of the Maryland Federation of Republican Women strongly support SB 0261 to repeal the annual increase in the Motor Fuel Tax.

Motor fuels are heavily taxed. There is a federal tax of 18.4 cents per gallon in addition to Maryland taxes of 36.10 cents per gallon of gasoline. This in an increase of 13 cents/gallon since the passage of this annual CPI increase in 2013. Maryland also imposes a sales tax on gasoline of 5 cents a gallon. Inflation is surging and the price of regular unleaded gasoline is averaging $3.27 a gallon. Taxes of 59.5 cents are 18% of that cost. If the CPI provision is left unchanged, the price of gasoline will increase again in July.

Families and businesses are still hurting from inflation and from the restrictions of the pandemic. The motor fuel tax hurts lower-income and rural Marylanders most severely. On average, they travel greater distances to their jobs, and tend to own older, less fuel-efficient vehicles. Many delivery jobs require the person to use their own vehicle. Almost every business, large or small, is impacted by the increased costs of motor fuel and motor fuel taxes that their vehicles use to deliver goods and services to stores, offices, homes, hospitals, schools and government agencies. Increasing the cost of motor fuel and taxes leads to increases in the cost of groceries and every other product and service. It will cause some products to disappear, and businesses to close. It is a drag on the economy. It stresses family budgets. Annually increasing the motor fuel tax magnifies these problems.

Motor fuel taxes go into the Transportation Trust Fund that pays for bonds for transportation projects including roads and bridges. All vehicles, whether motor fuel-powered or electric-powered use those roads and bridges. But owners of electric-powered vehicles do not pay motor fuel taxes or motor fuel sales taxes or an equivalent fee to help build and maintain the roads and bridges on which they travel.

Please vote a **FAVORABLE** report for **SB 0261** and repeal the annual CPI increase in the motor-fuel tax.

Ella Ennis
Legislative Chairman

SB 261 CPI Repeal.pdf
Uploaded by: Kirk McCauley
Position: FAV

WMDA/CAR Service Station
and Automotive Repair Association

February 8,2023

Chair: Guy Guzzone
Members of the Budget and Taxation Committee

RE:SB 261 Motor Fuel Tax Rate CPI Adjustment Repeal

Position: Favorable

With the rate of inflation going vertical, Consumer Price Index Repeal For motor fuel would be a good thing for consumer.

Motor Fuel Tax or sales and use tax will go up this year. Formular is average retail sales price, less taxes, multiplied by 3% and capped at 8% increase. I imagine we will bump up against that 8% this year. Consumers will have an increase in gas taxes, CPI would only add to that.

Please give SB261 a favorable report

WMDA/CAR is a trade association that has represented service stations, convenience stores and independent repair shops since 1937. Any questions can be addressed to Kirk McCauley, 301-775-0221 or kmccauley@wmda.net

SB261_FAV_MRA.pdf
Uploaded by: Sarah Price
Position: FAV

SB261 – Motor Fuel Tax Rates – Consumer Price Index Adjustment – Repeal
Budget and Taxation Committee
February 8, 2023

Position: Favorable

Background: Automatic motor fuel tax rate increases based on the consumer price index would be repealed.

Comments: The Maryland Retailers Association (MRA) supports the proposal to repeal automatic rate increases for taxes on motor fuel based on the consumer price index (CPI).

Record-high inflation rates have driven up the cost of goods and services across the country for the past two years. High prices are related to a variety of factors including the price of raw materials, labor at every level of production, and shipping costs, and high interest rates are resulting in additional financial burdens for both consumers and businesses. As Marylanders watched costs continuously rise throughout 2022, they experienced an increase in the gasoline tax rate due to inflation just as unusually high fuel prices approached $5 per gallon. Repealing automatic tax rate increases based on CPI would have a positive impact on all Marylanders not only based on individual transportation costs but also through lower prices on goods and services due to lower operational costs for businesses.

We are all reminded on a daily basis that the impacts of the COVID-19 pandemic and other global factors are far from over. Cost increases that we can control should be addressed as we continue to work through this challenging time. With this in mind, we would urge a favorable report on SB261. Thank you for your consideration.

SB 261 Favorable Gallion.pdf

Uploaded by: Senator Gallion

Position: FAV

Jason C. Gallion
Legislative District 35
Harford and Cecil Counties

Education, Energy, and
the Environment Committee

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THE SENATE OF MARYLAND
Annapolis, Maryland 21401

February 7th, 2023
The Honorable Guy Guzzone, Chair
Senate Budget and Taxation Committee
RE: SB 261 – Motor Fuel Tax Rates – Consumer Price Index Adjustment – Repeal
Position: Favorable

Chairman Guzzone and Budget & Taxation Committee Members:

In 2013, the Transportation Infrastructure Investment Act was signed into law to index the motor fuel tax rates to the annual change in the CPI for all motor fuels except aviation and turbine fuel.

SB 261 would remove the automatic motor fuel tax adjustment from being indexed to the CPI. Currently, Maryland has the 4th highest gasoline tax rate in the United States and the second highest among our surrounding states (igentax.com).

Our working families across the state are struggling in this economy due to rampant inflation, especially at the grocery store and the gas station. I believe if a change to the gas tax rate needs to be adjusted it should be done by the legislature annually with an up or down vote.

I respectfully urge a favorable report for SB 261.

Sincerely,

Jason Gallion

Senator Jason Gallion

SB261_MDSierraClub_unf - 8Feb2023.pdf
Uploaded by: Brian Ditzler
Position: UNF

P.O. Box 278
Riverdale, MD 20738

Committee: **Budget and Taxation**

Testimony on: **SB 261 – "Motor Fuel Tax Rates – Consumer Price Index Adjustment – Repeal"**

Position: **Oppose**

Hearing Date: **February 8, 2023**

The Maryland Chapter of the Sierra Club strongly opposes SB 261. The bill would repeal a requirement that motor fuel tax rates be adjusted in future years based on growth in the Consumer Price Index (CPI).

Motor fuel taxes are levied by all 50 states, Washington, DC, and the federal government, and 22 states (including Maryland) and DC have a variable rate gas tax that adjusts without regular legislative action. The proposed legislation would halt a modest but steady increase in gas tax revenue the General Assembly previously decided was necessary to keep up with inflation and help fund the state's transportation infrastructure to support the needs of our citizenry and economic growth of the state.

According to Maryland's Consolidated Transportation Program, the motor fuel tax is a major source of funding in the state to support the Maryland Department of Transportation (MDOT). The fuel tax revenue goes into the state's Transportation Trust Fund which supports the operation and maintenance of state transportation systems, administration, capital projects, Maryland's portion of operating and capital subsidies for the Washington Metropolitan Area Transit Authority (WMATA), and capital grants to Maryland's counties and Baltimore City for local transportation needs.

In Maryland and across the country, gas tax revenues have not been keeping up with transportation funding needs for several reasons. Less fuel per mile is required as vehicles become more efficient; an increasing number of electric vehicles are replacing gas and diesel fueled vehicles; younger people are driving less than previous generations; and the interest in telework that burgeoned during the Covid pandemic is continuing. At the same time, rising costs for transportation projects are causing MDOT's programs to be fiscally constrained.

In light of this situation, limiting the income from the state's fuel tax would be both misguided and shortsighted. For these reasons, we urge an unfavorable report on this bill.

Brian Ditzler
Transportation Chair
Brian.Ditzler@MDSierra.org

Josh Tulkin
Chapter Director
Josh.Tulkin@MDSierra.org

Founded in 1892, the Sierra Club is America's oldest and largest grassroots environmental organization. The Maryland Chapter has over 70,000 members and supporters, and the Sierra Club nationwide has over 800,000 members and nearly four million supporters.

SB 261_MAA_UNF.pdf

Uploaded by: Hayley Evans

Position: UNF

February 8th, 2023

Senator Guy Guzzone, Chair
Senate Budget and Taxation Committee
3 West, Miller Senate Office Building
Annapolis, MD 21401

RE: Senate Bill 261 – UNFAVORABLE – Motor Fuel Tax Rates – Consumer Price Index Adjustment – Repeal

Dear Chair Guzzone and Members of the Budget and Taxation Committee:

The Maryland Asphalt Association (MAA) is comprised of 18 producer members representing more than 47 production facilities, 24 contractor members, 24 consulting engineer firms and 41 other associate members. MAA works proactively with regulatory agencies to represent the interests of the asphalt industry both in the writing and interpretation of state and federal regulations that may affect our members. We also advocate for adequate state and federal funding for Maryland's multimodal transportation system.

Senate Bill 261 would stop all future automatic increases to Maryland's motor fuel tax rates by decoupling those rates from the Consumer Price Index for all urban consumers, one of the most common metrics to measure inflation. This tether was codified by the Transportation Infrastructure Investment Act of 2013, which also increased Maryland's motor fuel tax rates for the first time since 1992. Since its enactment, this inflationary provision has generated an additional $15-20 million annually for the Transportation Trust Fund ("TTF") over the prior year. Realizing consistent revenue increases for the TTF is integral to maintaining the spending power of the Maryland Department of Transportation's ("MDOT's") capital program, as any decrease in TTF revenues would jeopardize MDOT's capacity to issue Consolidated Transportation Bonds due to their debt service requirements, as well as any future proposed projects within other transportation modals. The needs of our State are critical, and we cannot afford to impose more constraints on a region that is struggling with massive deficiencies in its transportation infrastructure network.

We appreciate you taking the time to address this important issue, and we urge an unfavorable report on Senate Bill 261.

Sincerely,

Marshall Klinefelter

Marshall Klinefelter
President
Maryland Asphalt Association

THE MARYLAND ASPHALT ASSOCIATION, INC. 2408 PEPPERMILL DRIVE; SUITE G; GLEN BURNIE, MARYLAND 21061
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SB 261_MTBMA_UNF.pdf
Uploaded by: Hayley Evans
Position: UNF

MTBMA
MARYLAND TRANSPORTATION
BUILDERS AND MATERIALS ASSOCIATION

February 8th, 2023

Senator Guy Guzzone, Chair
Senate Budget and Taxation Committee
3 West, Miller Senate Office Building
Annapolis, MD 21401

RE: Senate Bill 261 – UNFAVORABLE – Motor Fuel Tax Rates – Consumer Price Index Adjustment – Repeal

Dear Chair Guzzone and Members of the Budget and Taxation Committee:

The Maryland Transportation Builders and Materials Association ("MTBMA") has been and continues to serve as the voice for Maryland's construction transportation industry since 1932. Our association is comprised of 200 members. MTBMA encourages, develops, and protects the prestige of the transportation construction and materials industry in Maryland by establishing and maintaining respected relationships with federal, state, and local public officials.

Senate Bill 261 would stop all future automatic increases to Maryland's motor fuel tax rates by decoupling those rates from the Consumer Price Index for all urban consumers, one of the most common metrics to measure inflation. This tether was codified by the Transportation Infrastructure Investment Act of 2013, which also increased Maryland's motor fuel tax rates for the first time since 1992. Since its enactment, this inflationary provision has generated an additional $15-20 million annually for the Transportation Trust Fund ("TTF") over the prior year. Realizing consistent revenue increases for the TTF is integral to maintaining the spending power of the Maryland Department of Transportation's ("MDOT's") capital program, as any decrease in TTF revenues would jeopardize MDOT's capacity to issue Consolidated Transportation Bonds due to their debt service requirements, as well as any future proposed projects within other transportation modals. The needs of our State are critical, and we cannot afford to impose more constraints on a region that is struggling with massive deficiencies in its transportation infrastructure network.

We appreciate you taking the time to address this important issue, and we urge an unfavorable report on Senate Bill 261.

Thank you,

Michael Sakata
President and CEO
Maryland Transportation Builders and Materials Association

SB 261_MD Center on Economic Policy_UNF.pdf

Uploaded by: Kali Schumitz
Position: UNF

FEBRUARY 8, 2023

Chipping Away at Transportation Revenue Would Make Marylanders' Lives Harder

Position Statement in Opposition to Senate Bill 261

Given before the Senate Budget and Taxation Committee

Motor fuel taxes are a common-sense way to ensure that the people who drive on Maryland roads pay their fair share to keep those roads in good condition, just as public transit users pay bus and rail fares to help maintain those services. Fuel tax rates increase modestly each year to keep up with inflation so that we have the revenue necessary to maintain our transportation networks as the cost of this maintenance rises. Repealing the inflation adjustment would chip away at transportation funding, forcing deeper cuts every year as costs continue to rise throughout the economy. Ultimately, working families would pay the price in the form of longer commutes and higher costs to repair neglected infrastructure. **For these reasons, the Maryland Center on Economic Policy opposes Senate Bill 261.**

Fuel tax revenues are projected to total $1.5 billion in fiscal year 2024, supplying 25% of the funding for Maryland's Transportation Trust Fund.[i] Most of this money goes to the Maryland Department of Transportation, where it supports highway repairs, public transit, the Motor Vehicles Administration, and the department's headquarters. This revenue is essential, because the Department of Transportation does not receive any revenue from the state's general fund. A portion of the Transportation Trust Fund also supports transportation investments by local governments.

Our investments in transportation are vital for Maryland's economy. Well-maintained transportation networks enable people and goods to move efficiently through Maryland, which is why business executives count transportation and shipping factors among their top-five priorities when choosing where to locate a new facility – outranking taxes, regulations, and subsidies.[ii] Our public investments in transportation also support thousands of jobs throughout Maryland.

Senate Bill 261 would reduce Maryland's capacity to invest in transportation, and the damage would grow with every passing year. Because fuel taxes are applied on a per-gallon basis rather than as a percentage of sales, annual inflation adjustment is necessary to ensure that revenue keeps up with the cost of maintenance. The result will be less upkeep for Maryland roads, bridges, transit, and other transportation infrastructure – which would ultimately harm commuters across Maryland.

State analysts in 2022 projected that **freezing motor fuel taxes at the current rate would cost $381 million over five years**.

Weakening our ability to invest in Maryland's transportation systems would likely worsen existing transportation inequities. As a result of our past choices about where and how to invest in our transportation system, Black Marylanders have longer average commutes to work than their white counterparts. The difference is widest in areas of our state where workers of color live in the highest numbers. In some areas, Black workers commute up to 55 hours more each year than their white neighbors.[iii]

There are far better ways than Senate Bill 261 to strengthen working families' finances. More effective tax policies include strengthening the state Child Tax Credit and Earned Income Tax Credit – refundable income tax credits for low-income families that can help offset gas and sales taxes. More effective transportation policy choices include strengthening investments in public transportation, which is especially important for Marylanders living on low incomes as well as many Marylanders of color.

Finally, reducing fuel taxes would further entrench Maryland's reliance on fossil fuels at a time when a shift in the opposite direction is urgently needed to reduce the damage caused by climate change. The climate crisis has already caused "irreversible impacts as natural and human systems are pushed beyond their ability to adapt" and "impacts and risks are becoming increasingly complex and more difficult to manage," according to a 2022 report by the Intergovernmental Panel on Climate Change.[iv] We should be taking bold steps to reduce our reliance on fossil fuels – instead, Senate Bill 261 would double down.

For these reasons, the Maryland Center on Economic Policy respectfully asks that the Budget and Taxation Committee make an unfavorable report on Senate Bill 261.

Equity Impact Analysis: Senate Bill 261

Bill summary

Senate Bill 261 would permanently repeal annual inflation adjustment of fuel tax rates.

Background

Fuel tax revenues are projected to total $1.5 billion in fiscal year 2024, supplying 25% of the funding for Maryland's Transportation Trust Fund.

Between July 1, 2022, and June 30, 2023, the per gallon motor fuel tax rate is equal to 42.70 cents (gasoline and clean-burning fuel), 43.45 cents (diesel fuel/biodiesel), and 7.00 cents (aviation gasoline and turbine fuel).

Over several years, surveys of business executives' site selection priorities have consistently found that highway access is among business leaders' highest priorities when choosing where to locate a new facility, outranking taxes, regulations, and subsidies.[v]

Equity Implications

Weakening our ability to invest in Maryland's transportation systems would likely worsen existing transportation inequities. As a result of our past choices about where and how to invest in our transportation system, Black Marylanders have longer average commutes to work than their white counterparts. The difference is widest in

areas of our state where workers of color live in the highest numbers. In some areas, Black workers commute up to 55 hours more each year than their white neighbors.[vi]

Impact

Senate Bill 261 would likely **worsen racial and economic equity** in Maryland.

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i FY 2024 Maryland budget data.

ii Geraldine Gambale, "36th Annual Corporate Survey: Executives Focus on Labor, Energy, Shipping Costs," *Area Development*, 2022, https://www.areadevelopment.com/Corporate-Consultants-Survey-Results/q1-2022/36th-annual-corporate-survey.shtml

iii Christopher Meyer, "Budgeting for Opportunity: How Our Fiscal Policy Choices Can Remove Barriers Facing Marylanders of Color and Advance Shared Prosperity," Maryland Center on Economic Policy, 2018, http://www.mdeconomy.org/budgeting-for-opportunity-health-education-transportation/

iv "Climate Change 2022 Impacts, Adaptation, and Vulnerability: Summary for Policymakers," Intergovernmental Panel on Climate Change, 2022, https://report.ipcc.ch/ar6wg2/pdf/IPCC_AR6_WGII_SummaryForPolicymakers.pdf

v Geraldine Gambale, 2022, and MDCEP analysis of historical *Area Development* business location surveys.

vi Meyer, 2018

LOI SB261 Motor Fuel Tax Rates - CPI Adjustment -
Uploaded by: Debora Gorman
Position: INFO

Letter of Information – Senate Bill 261 – Motor Fuel Tax Rates – Consumer Price Index Adjustment

Budget and Tax Committee
February 8, 2023

Senate Bill 261 repeals the requirement that the motor fuel tax rate on aviation gasoline, gasoline other than aviation gasoline, special fuel other than clean-burning fuel or turbine fuel, turbine fuel, and each gasoline-equivalent gallon of clean-burning fuel except electricity be adjusted annually based on growth in the Consumer Price Index for All Urban Consumers. The bill limits those tax rate adjustments to July 1 of years 2013 through 2022, as well as the Comptroller's annual determination and announcement by June 1 of any change in the applicable motor fuel tax rates for the next fiscal year.

In order to administer the changes that would be brought about by the enactment of this bill, the Comptroller's office requests amendments that would clarify whether the legislature intends that the applicable motor fuel rates would remain at the current rate (as of July 1, 2022) or if the intent is to revert to the base rates set forth in Tax-General Article 9-305(a)(1-5); specifically:

(1) 7 cents for each gallon of aviation gasoline;
(2) 23.5 cents for each gallon of gasoline other than aviation gasoline;
(3) 24.25 cents for each gallon of special fuel other than clean-burning fuel or turbine fuel;
(4) 7 cents for each gallon of turbine fuel; and
(5) 23.5 cents for each gasoline-equivalent gallon of clean-burning fuel except electricity.

In the event that the legislature's intent is that these certain motor fuel rates revert to the base rates listed above, the Comptroller would face a significant administrative burden to implement a reverse floor tax in a very short time in order to refund to those holding fuel on June 1, 2023 an amount representing the difference between the tax previously paid on the fuel in inventory and the reduced amount of tax due based on the base rates after repeal of the CPI provisions. Implementing a reverse floor tax effective June 1, 2023. The refunds issued would also result in a loss of revenue to the State.

As always, the Comptroller's Office is willing and available to discuss these concerns or any questions you may have at your convenience. Please contact Justin Hayes, Legislative Director at jhayes@marylandtaxes.gov or 410-260-7696.