

**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.

