

Department of Legislative Services
 Maryland General Assembly
 2000 Session

FISCAL NOTE

House Bill 1423 (Delegates J. Kelly and LaVay)

Ways and Means

Motor Fuel Tax Rate

This bill reduces the following motor fuel tax rates: (1) gasoline from 23.5 cents to 18.5 cents; (2) the special fuel rate from 19.25 cents to 24.25 cents; and (3) clean-burning fuel from 23.5 cents to 18.5 cents.

The bill takes effect July 1, 2000.

Fiscal Summary

State Effect: Special fund revenues would decrease by \$93.6 million in FY 2001. Future year revenue losses reflect projected growth in gallonage. Expenditures would not be affected.

(in millions)	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005
SF Revenues	(\$93.6)	(\$95.5)	(\$97.4)	(\$99.4)	(\$101.3)
SF Expenditures	0.0	0.0	0.0	0.0	0.0
Net Effect	(\$93.6)	(\$95.5)	(\$97.4)	(\$99.4)	(\$101.3)

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

Local Effect: Local revenues would decrease by approximately \$40.1 million in FY 2001. Future year revenue losses reflect projected growth in gallonage.

Small Business Effect: Meaningful.

Analysis

Current Law: The Maryland Department of Transportation (MDOT) shares a portion of the Transportation Trust Fund (TTF) revenues with local jurisdictions by way of the Gasoline and Motor Vehicle Revenue Account (GMVRA). The GMVRA consists of portions of the gas, titling, and corporate income taxes; and registration fees. The funds in the GMVRA are distributed 70% to the TTF for use by MDOT and 30% to local jurisdictions to assist in the development and maintenance of local transportation projects. The local distribution is split, with Baltimore City receiving the greater of \$157,500,000, or 11.5%, and the remainder distributed to the 23 counties and then shared with municipal corporations within each county. Distributions to the local jurisdictions are based on their proportion of motor vehicle registrations and county road miles.

State Revenues: The bill decreases motor fuel taxes as follows: (1) from 23.5 cents to 18.5 cents per gallon of gasoline; (2) from 24.25 cents to 19.25 cents per gallon of special fuel; and (3) from 23.5 cents to 18.5 cents per gasoline-equivalent gallon of clean burning fuel. These decreases are estimated to reduce total revenues by approximately \$135.3 million and revenues to the GMVRA by approximately \$133.7 million in fiscal 2001, as illustrated in **Exhibit 1** below. Revenue losses from the change in tax on clean burning fuels are assumed to be minimal.

Refunds for the motor fuel tax are allowed for certain uses such as public transportation, nonprofit transportation, and non-highway uses related to agriculture. Approximately 27.9 million gallons of gasoline and special fuel is subject to refunds. This would decrease the projected revenue loss by about \$1.6 million in fiscal 2001.

Revenues associated with the motor fuel tax and motor carrier tax are shared between the local jurisdictions (30%) and the TTF (70%). Out-years reflect 2% annual growth in gallonage.

Exhibit 1

Change	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005
Gas	(115,755,608)	(118,070,720)	(120,432,134)	(122,840,777)	(125,297,593)
Diesel	(19,575,734)	(19,967,248)	(20,366,593)	(20,773,925)	(21,189,404)
Total	(135,331,341)	(138,037,968)	(140,798,728)	(143,614,702)	(146,486,996)
Less Refunds	(1,583,377)	(1,615,044)	(1,647,345)	(1,680,292)	(1,713,898)
Net to GMVRA of TTF	(133,747,965)	(136,422,924)	(139,151,383)	(141,934,410)	(144,773,099)
MDOT Share	(93,623,575)	(95,496,047)	(97,405,968)	(99,354,087)	(101,341,169)
Locals Share	(40,124,389)	(40,926,877)	(41,745,415)	(42,580,323)	(43,431,930)

Note: Numbers may not total due to rounding.

Local Revenues: As noted above, local aid to assist in the development and maintenance of local transportation projects will decrease by approximately \$40.1 million in fiscal 2001. This decrease would grow to \$43.4 million in fiscal 2005.

Small Business Effect: Small businesses that are heavily reliant upon motor vehicle transportation to deliver their services, such as shipping, courier, and taxi services, could experience a meaningful impact on their expenditures due to the decrease in the motor fuel tax. Fuel costs represent a comparatively large proportion of such companies' expenditures. Such businesses will be disproportionately affected by a fuel tax decrease in comparison to other businesses.

This impact assumes that the fuel tax decrease is not offset, partially or completely, by a corresponding increase in the pre-tax price by fuel sellers.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Comptroller's Office (Bureau of Revenue Estimates and Motor Fuel Tax Unit), Department of Legislative Services

Fiscal Note History: First Reader - March 17, 2000
cm/jr

Analysis by: Matthew D. Riven

Direct Inquiries to:
John Rixey, Coordinating Analyst
(410) 946-5510
(301) 970-5510