

Department of Legislative Services
 Maryland General Assembly
 2005 Session

FISCAL AND POLICY NOTE

House Bill 1603 (Delegate Moe)
 Ways and Means

Motor Fuel Tax - Rates

This bill decreases State motor fuel tax rates, except aviation gasoline and turbine fuel, by 5 cents per gallon in fiscal 2006 and 3 cents per gallon in fiscal 2007.

The bill takes effect July 1, 2005.

Fiscal Summary

State Effect: Transportation Trust Fund revenues (TTF) would decrease by approximately \$164.9 million in FY 2006 and \$101.7 million in FY 2007 due to a reduction in motor fuel tax rates. No effect on expenditures.

| (\$ in millions) | FY 2006 | FY 2007 | FY 2008 | FY 2009 | FY 2010 |
|------------------|-----------|-----------|---------|---------|---------|
| SF Revenue | (\$164.9) | (\$101.7) | \$0 | \$0 | \$0 |
| Expenditure | \$0 | \$0 | \$0 | \$0 | \$0 |
| Net Effect | (\$164.9) | (\$101.7) | \$0 | \$0 | \$0 |

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

Local Effect: Local highway user revenues distributed from the TTF would decrease by approximately \$49.5 million in FY 2006 and \$30.5 million in FY 2007. No effect on expenditures.

Small Business Effect: Minimal.

Analysis

Current Law: The State motor fuel tax rate per gallon or gasoline-equivalent gallon is: (1) 23.5 cents for gasoline; (2) 24.25 cents for special fuel (diesel); (3) 7 cents for

aviation gasoline and turbine fuel; and (4) 23.5 cents for clean burning fuel. **Exhibit 1** shows the motor fuel tax rates in surrounding states.

Exhibit 1
Motor Fuel Tax Rates in Surrounding States

| | <u>Gasoline</u> | <u>Diesel</u> |
|----------------------|-----------------|---------------|
| Delaware | 23.0 cents | 22.0 cents |
| District of Columbia | 22.5 cents | 22.5 cents |
| Pennsylvania | 30.0 cents | 36.4 cents |
| Virginia* | 17.5 cents | 16.0 cents |
| West Virginia | 27.0 cents | 27.0 cents |

*Does not include local option taxes, which could include 2%.

State Fiscal Effect: The State is projected to collect \$780 million in motor fuel taxes in fiscal 2006. **Exhibit 2** lists the revenue loss associated with decreasing motor fuel taxes as proposed by HB 1603. This estimate is based on Board of Revenue Estimates forecasted fuel consumption growth of 2.24% in fiscal 2005, 2.25% in fiscal 2006, and 2.85% in fiscal 2007. The benefit to a typical Maryland driver in reduced taxes, based on 15,000 miles driven per year and 24 miles per gallon fuel efficiency, would be \$31 in fiscal 2006 and \$19 in fiscal 2007.

The Maryland Department of Transportation advises that since the reduction proposed by the bill is temporary, operating expenditures would not be affected.

Exhibit 2
HB 1603 Revenue Losses

| | <u>FY 2006</u> | <u>FY 2007</u> |
|----------------------------------|------------------------|------------------------|
| Transportation Trust Fund | \$164.9 million | \$101.7 million |
| MDOT Share | 115.4 million | 71.2 million |
| Local - Highway User Revenues | 49.5 million | 30.5 million |

Small Business Impact: Small businesses for which fuel costs constitute a significant portion of their costs (transportation firms, delivery companies, personal transportation

service companies) would be positively impacted by the reduction in fuel taxes paid. The impact would likely be minimal given the temporary reduction in taxes, and limited amount (5 cents and 3 cents in each fiscal year).

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Comptroller's Office, Maryland Department of Transportation, Department of Legislative Services

Fiscal Note History: First Reader - March 25, 2005
mp/hlb

Analysis by: Robert J. Rehrmann

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