

Department of Legislative Services
 Maryland General Assembly
 2009 Session

FISCAL AND POLICY NOTE

House Bill 1214 (Delegate Hixson, *et al.*)
 Ways and Means

Motor Fuel Tax - Rate

This bill increases the State motor fuel tax rate for all fuels except aviation gasoline and turbine fuel by 5 cents per gallon.

The bill takes effect July 1, 2009.

Fiscal Summary

State Effect: Transportation Trust Fund (TTF) revenues increase by \$158.0 million in FY 2010; with the State share totaling \$110.6 million. Future year revenues reflect estimated fuel consumption and inflation. Expenditures are not affected.

(\$ in millions)	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014
SF Revenue	\$158.0	\$159.3	\$160.3	\$161.3	\$162.4
Expenditure	0	0	0	0	0
Net Effect	\$158.0	\$159.3	\$160.3	\$161.3	\$162.4

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

Local Effect: Local highway user revenues increase by \$47.4 million in FY 2010 and by \$48.7 million in FY 2014. Local expenditures are not affected.

Small Business Effect: Minimal.

Analysis

Current Law: 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. The motor fuel tax rate is not indexed or automatically adjusted. The State is projected to collect \$749.1 million in motor fuel taxes in fiscal 2010.

Background: Some states, including Maryland, impose only a motor fuel excise tax, while other states impose both an excise tax and a sales tax. The total motor fuel tax rates for gasoline in neighboring jurisdictions are shown in **Exhibit 1**. These rates are in addition to a federal motor fuel tax of 18.4 cents per gallon of gasoline and 24.4 cents per gallon of diesel fuel. Compared to other states, Maryland's fuel tax rates are slightly below the national average.

Exhibit 1 Total Motor Fuel Tax Rates in Surrounding Jurisdictions (Cents per Gallon)

	<u>Gasoline</u>	<u>Diesel</u>
Delaware	23.0¢	22.00¢
District of Columbia	20.0	31.00
Pennsylvania	32.3	39.20
Virginia	19.0	19.30
West Virginia	32.2	32.10
Maryland	23.5	24.25

Source: American Petroleum Institute

State Revenues: TTF revenues increase by \$158.0 million in fiscal 2010 as a result of increasing motor fuel tax rates. **Exhibit 2** illustrates the fiscal effect of the increase in motor fuel tax rates under the bill.

Exhibit 2
Estimated Revenue Impact of HB 1214

	<u>FY 2010</u>	<u>FY 2011</u>	<u>FY 2012</u>	<u>FY 2013</u>	<u>FY 2014</u>
Total TTF	\$158,018,400	\$159,278,500	\$160,267,700	\$161,262,700	\$162,423,000
MDOT Share	110,612,900	111,495,000	112,187,400	112,883,900	113,696,100
Local Share	47,405,500	47,783,600	48,080,300	48,378,800	48,726,900

Local Effect: Local governments receive a portion of TTF revenues in the form of local highway user revenues for the purpose of constructing and maintaining local roads. Pursuant to this legislation, local highway user revenues increase by \$47.4 million in fiscal 2010 and by \$48.7 million in fiscal 2014, as shown in Exhibit 2. Local expenditures are not affected. **Exhibit 3** shows the impact by local jurisdiction in fiscal 2010.

Small Business Effect: Small businesses for which motor fuel constitutes a significant portion of their costs (transportation firms, delivery companies, taxicabs, *etc.*) will have increased tax burdens as a result of the bill. Based on the estimated increases under the bill the impact is expected to be modest. The incidence of the tax will be shared by customers through higher product prices and owners of the small businesses. Small businesses may potentially benefit to the extent that additional transit funding improves the State's infrastructure.

Exhibit 3
Impact on Local Highway User Revenues in Fiscal 2010

County	Allowance	HB 1214	Difference
Allegany	\$6,394,986	\$6,972,590	\$577,604
Anne Arundel	27,917,208	30,438,727	2,521,519
Baltimore City	193,582,000	215,116,586	21,534,586
Baltimore	37,553,431	40,945,308	3,391,877
Calvert	6,205,441	6,765,925	560,484
Caroline	4,441,617	4,842,789	401,172
Carroll	12,540,510	13,673,185	1,132,675
Cecil	6,949,589	7,577,286	627,697
Charles	9,000,403	9,813,331	812,928
Dorchester	4,910,933	5,354,495	443,562
Frederick	16,542,125	18,036,232	1,494,107
Garrett	5,560,772	6,063,028	502,256
Harford	14,563,752	15,879,170	1,315,418
Howard	13,826,941	15,075,809	1,248,868
Kent	2,495,934	2,721,370	225,436
Montgomery	39,223,587	42,766,315	3,542,728
Prince George's	34,171,219	37,257,611	3,086,392
Queen Anne's	5,139,638	5,603,857	464,219
St. Mary's	6,908,957	7,532,983	624,026
Somerset	2,966,950	3,234,929	267,979
Talbot	4,090,384	4,459,834	369,450
Washington	10,640,199	11,601,236	961,037
Wicomico	8,293,415	9,042,487	749,072
Worcester	6,094,108	6,644,537	550,429
Total	\$480,014,099	\$527,419,620	\$47,405,521

Additional Information

Prior Introductions: None.

Cross File: None.

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

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Analysis by: Robert J. Rehrmann

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