

Department of Legislative Services
 Maryland General Assembly
 2009 Session

FISCAL AND POLICY NOTE

House Bill 746 (Delegate Barkley)
 Ways and Means

Motor Fuel Tax - Increase

This bill increases State motor fuel tax rates, except for aviation gasoline and turbine fuel. Motor fuel tax rates increase by 10 cents per gallon for gasoline and clean burning fuel and 10.25 cents per gallon for diesel.

The bill takes effect July 1, 2009.

Fiscal Summary

State Effect: Transportation Trust Fund (TTF) revenues increase by \$316.4 million in FY 2010; with the State share totaling \$221.5 million. Future year revenues reflect estimated fuel consumption. Expenditures are not affected.

(\$ in millions)	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014
SF Revenue	\$316.4	\$319.1	\$321.3	\$323.5	\$325.4
Expenditure	0	0	0	0	0
Net Effect	\$316.4	\$319.1	\$321.3	\$323.5	\$325.4

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

Local Effect: Local highway user revenues increase by \$94.9 million in FY 2010 and by \$97.6 million in FY 2014. Local expenditures are not affected.

Small Business Effect: Potential meaningful.

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 \$316.4 million in fiscal 2010 as a result of the motor fuel tax increase. **Exhibit 2** illustrates the fiscal effect in each year. The estimate is based on current forecasts for motor fuel consumption and includes a small decrease based on the estimated short-term price elasticity of gasoline.

Exhibit 2
Estimated Revenue Impact of HB 746

	<u>FY 2010</u>	<u>FY 2011</u>	<u>FY 2012</u>	<u>FY 2013</u>	<u>FY 2014</u>
Total TTF	\$316,363,300	\$319,125,200	\$321,292,000	\$323,473,600	\$325,356,300
MDOT Share	221,454,300	223,387,600	224,904,400	226,431,500	227,749,400
Local Share	94,909,000	95,737,600	96,387,600	97,042,100	97,606,900

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 \$94.9 million in fiscal 2010 and by \$97.6 million in fiscal 2014, as shown in Exhibit 2. Local expenditures are not affected. **Exhibit 3** shows the increase 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 10 cent per gallon increase. 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

<u>County</u>	<u>Allowance</u>	<u>HB 746</u>	<u>Difference</u>
Allegany	\$6,394,986	\$7,551,402	\$1,156,416
Anne Arundel	27,917,208	32,965,522	5,048,314
Baltimore City	193,582,000	236,695,000	43,113,000
Baltimore	37,553,431	44,344,280	6,790,849
Calvert	6,205,441	7,327,581	1,122,140
Caroline	4,441,617	5,244,801	803,184
Carroll	12,540,510	14,808,231	2,267,721
Cecil	6,949,589	8,206,295	1,256,706
Charles	9,000,403	10,627,960	1,627,557
Dorchester	4,910,933	5,798,985	888,052
Frederick	16,542,125	19,533,465	2,991,340
Garrett	5,560,772	6,566,335	1,005,563
Harford	14,563,752	17,197,339	2,633,587
Howard	13,826,941	16,327,290	2,500,349
Kent	2,495,934	2,947,278	451,344
Montgomery	39,223,587	46,316,454	7,092,867
Prince George's	34,171,219	40,350,458	6,179,239
Queen Anne's	5,139,638	6,069,047	929,409
St. Mary's	6,908,957	8,158,314	1,249,357
Somerset	2,966,950	3,503,469	536,519
Talbot	4,090,384	4,830,056	739,672
Washington	10,640,199	12,564,284	1,924,085
Wicomico	8,293,415	9,793,127	1,499,712
Worcester	6,094,108	7,196,117	1,102,009
Total	\$480,014,099	\$574,923,090	\$94,908,991

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): American Petroleum Institute, Comptroller's Office, Congressional Budget Office, Maryland Department of Transportation, Department of Legislative Services

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