

Department of Legislative Services
2010 Session

FISCAL AND POLICY NOTE

House Bill 479 (Delegates Barkley and Bronrott)
Ways and Means

Motor Fuel Tax - Increase

This bill increases the State motor fuel tax rate for all fuels except aviation gasoline and turbine fuel by 10 cents per gallon. The increase is phased in annually by two cents per gallon over five years.

The bill takes effect July 1, 2010.

Fiscal Summary

State Effect: Transportation Trust Fund (TTF) revenues increase by \$62.8 million in FY 2011; with the State share totaling \$44.0 million. Future year revenues reflect phase in of the tax increase and current fuel consumption and price forecasts. Expenditures are not affected.

(\$ in millions)	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015
SF Revenue	\$62.8	\$126.8	\$192.3	\$259.2	\$327.4
Expenditure	0	0	0	0	0
Net Effect	\$62.8	\$126.8	\$192.3	\$259.2	\$327.4

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

Local Effect: Local highway user revenues increase by \$18.8 million in FY 2011 and by \$93.3 million in FY 2015. 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. Motor fuel tax revenues totaled \$736.1 million in fiscal 2009 and are projected to total \$751.4 million in fiscal 2011.

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 state 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. Maryland’s gasoline tax rate is 5.5 cents per gallon or about one-fifth less than the average rate imposed by all states.

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

	<u>Gasoline</u>	<u>Diesel</u>
Delaware	23.0¢	22.0¢
District of Columbia	23.5	23.5
North Carolina	30.2	30.2
Pennsylvania	32.3	39.2
Virginia	19.5	19.6
West Virginia	32.2	32.1
Maryland	23.5¢	24.25¢
National Average	29.0¢	27.6¢

Source: American Petroleum Institute

State Fiscal Effect: TTF revenues increase by \$62.8 million in fiscal 2011 and by \$327.4 million in fiscal 2015 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 479
(\$ in Millions)

	<u>FY 2011</u>	<u>FY 2012</u>	<u>FY 2013</u>	<u>FY 2014</u>	<u>FY 2015</u>
Total TTF	\$62.8	\$126.8	\$192.3	\$259.2	\$327.4
MDOT Share	44.0	90.6	137.5	185.3	234.1
Local Share	18.8	36.1	54.8	73.9	93.3

Local Fiscal Effect: Local governments receive a portion of TTF revenues as local highway user revenues for the purpose of constructing and maintaining local roads. Pursuant to this legislation, local highway user revenues increase by \$18.8 million in fiscal 2011 and by \$93.3 million in fiscal 2015, as shown in Exhibit 2. Local expenditures are not affected.

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. The incidence of the tax will be shared by customers (which include other businesses) through higher product prices and owners of the small businesses. Small businesses may potentially benefit to the extent that additional funding improves the State's infrastructure.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): American Petroleum Institute, Comptroller's Office, U.S. Energy Information Administration, Maryland Department of Transportation, Department of Legislative Services

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