

**Department of Legislative Services**  
 Maryland General Assembly  
 2016 Session

**FISCAL AND POLICY NOTE**  
**First Reader**

House Bill 756 (Washington County Delegation)  
 Ways and Means

**Washington County - Board of Education - Motor Fuel Tax Exemption**

This bill allows a refund for the motor fuel taxes paid for use by a vehicle (1) owned by the Washington County Board of Education or (2) used to transport students by a school bus operator under contract with the Washington County Board of Education.

The Washington County Board of Education is also not required to pay any amount of motor fuel taxes or any associated interest or penalties that are unpaid as of the effective date of the bill.

The bill takes effect July 1, 2016.

**Fiscal Summary**

**State Effect:** Transportation Trust Fund (TTF) revenues decrease by \$141,400 in FY 2017, of which the State’s share is \$132,400. Future year estimates reflect stable county fuel consumption and projected motor fuel tax rates. Expenditures are not affected.

(in dollars)	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
SF Revenue	(\$141,400)	(\$145,600)	(\$151,000)	(\$154,500)	(\$158,400)
Expenditure	0	0	0	0	0
Net Effect	(\$141,400)	(\$145,600)	(\$151,000)	(\$154,500)	(\$158,400)

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

**Local Effect:** Local highway user revenues distributed to all local jurisdictions will decrease by \$9,000 annually beginning in FY 2017. Washington County local highway user revenues decrease minimally beginning in FY 2017. Washington County expenditures for motor fuel tax payments decrease by \$104,200 in FY 2017 and by \$116,700 in FY 2021.

**Small Business Effect:** None.

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## Analysis

**Current Law/Background:** Motor fuel purchased to operate a vehicle owned by a local government entity or contractor is subject to the State motor fuel tax. As of January 1, 2016, the per gallon motor fuel tax rate is equal to 32.6 cents (gasoline and clean-burning fuel), 33.35 cents (special fuel/diesel), and 7 cents (aviation and turbine fuel). Except for aviation and turbine fuel, motor fuel taxes are adjusted based on the specified change in the Consumer Price Index (CPI) and a sales and use tax equivalent rate. Current law provides several exemptions from the motor fuel tax based on the entity that consumes the fuel or fuel usage. Claims for refunds from the motor fuel tax may be filed by certain entities if the motor fuel is used for specified uses.

The revenue generated by the CPI tax and sales and use tax equivalent rate is retained by the Maryland Department of Transportation (MDOT). After making specified deductions, the remaining motor fuel tax revenue is distributed 90.4% to MDOT and 9.6% to local governments (7.7% to Baltimore City, 1.5% to county governments, and 0.4% to municipal governments). The funds retained by TTF support MDOT's capital program, debt service, and operating costs. Local governments use highway user revenues to help fund local transportation projects.

**State Revenues:** The bill allows a refund for the motor fuel tax paid for use by a vehicle owned by the Washington County Board of Education or used to transport students by a school bus operator under contract with the board. As a result, TTF revenues will decrease by \$141,400 in fiscal 2017 and by \$158,400 in fiscal 2021. **Exhibit 1** shows the estimated revenue impact of the bill.

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### Exhibit 1 State and Local Revenue Impacts Fiscal 2017-2021

	<u>FY 2017</u>	<u>FY 2018</u>	<u>FY 2019</u>	<u>FY 2020</u>	<u>FY 2021</u>
TTF	(\$141,400)	(\$145,600)	(\$151,000)	(\$154,500)	(\$158,400)
MDOT	(132,400)	(136,600)	(142,000)	(145,500)	(149,400)
LHUR	(9,000)	(9,000)	(9,000)	(9,000)	(9,000)

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The bill also specifies that the Washington County Board of Education is not required to pay any amount of motor fuel taxes that is unpaid as of the effective date of the bill or any associated interest or penalties. To the extent the bill results in the waiver of unpaid motor fuel taxes and associated interest and penalties, revenue losses will be greater than estimated in fiscal 2017.

**Local Fiscal Effect:** Local highway user revenues distributed to all local jurisdictions will decrease by \$9,000 annually beginning in fiscal 2017, as shown in Exhibit 1. Washington County local highway user revenues decrease minimally beginning in fiscal 2017. Washington County expenditures for motor fuel tax payments decrease by \$104,200 in fiscal 2017 and by \$116,700 in fiscal 2021.

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### **Additional Information**

**Prior Introductions:** None.

**Cross File:** SB 520 (Washington County Senators - Budget and Taxation) is listed as a cross file, but the bills are not identical.

**Information Source(s):** Washington County, Comptroller's Office, Department of Legislative Services

**Fiscal Note History:** First Reader - February 24, 2016  
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