

Department of Legislative Services  
Maryland General Assembly  
2024 Session

FISCAL AND POLICY NOTE  
First Reader

Senate Bill 782 (Senator Hershey)  
Budget and Taxation

---

Motor Fuel Tax Rates - Consumer Price Index Adjustment - Suspension by  
Board of Public Works

---

This bill authorizes the Board of Public Works (BPW) to temporarily suspend an increase in the motor fuel tax rates based on annual growth in the Consumer Price Index (CPI) due to adverse economic conditions, a public emergency, or other extraordinary circumstances. **The bill takes effect June 1, 2024.**

---

Fiscal Summary

**State Effect:** Should BPW choose to exercise the authority granted under the bill, Transportation Trust Fund (TTF) revenues decrease by a potentially significant amount in a given year, as discussed below. Expenditures are not directly affected.

**Local Effect:** None.

**Small Business Effect:** Minimal.

---

Analysis

**Current Law:** Pursuant to the Transportation Infrastructure Investment Act of 2013 (Chapter 429), motor fuel tax rates for all motor fuels except aviation and turbine fuel are indexed to the annual change in the CPI. By June 1 annually, the Comptroller must determine and announce the growth in the CPI for all urban consumers and the motor fuel tax rates effective for the fiscal year beginning the following July 1.

The rate increase is equal to the percentage growth in the CPI multiplied by the motor fuel tax rates in effect for the previous fiscal year, rounded to the nearest one-tenth of 1 cent.

The percentage growth in the CPI is determined by averaging the CPI for the 12 months preceding April 30 to the average index for the prior 12 months. If there is a decline or no growth in the CPI, the motor fuel tax rates remain unchanged. Any increase in the motor fuel tax rates may not exceed 8% of the tax rates in effect for the previous year.

A floor tax is imposed on any person possessing tax-paid motor fuel for sale at the start of business on the date of an increase in the motor fuel tax rate. Such persons must compile and file an inventory held at the close of business on the immediately preceding date and remit within 30 days any additional tax due.

The revenue generated as a result of the CPI component of the motor fuel tax rates is distributed to TTF and retained by the Maryland Department of Transportation. As of July 1, 2023, the cumulative CPI component accounts for 7.5 cents of the motor fuel tax rates for (1) gasoline and clean burning fuel and (2) special fuel and diesel, for which the combined applicable motor fuel tax rate per gallon is equal to 47.00 cents and 47.75 cents, respectively.

In addition to indexing specified motor fuel tax rates to inflation, Chapter 429 imposed a 5% sales and use tax equivalent rate on all motor fuels except aviation and turbine fuel; the rate was phased in over fiscal 2014 to 2017. As of July 1, 2023, the sales and use tax equivalent rate accounts for 16.00 cents of the combined applicable motor fuel tax rates for gasoline and clean burning fuel and special fuel and diesel.

**State Revenues:** As noted above, should BPW temporarily suspend an increase in the CPI component of the motor fuel tax rates in accordance with the bill's authorization, TTF revenues decrease by a potentially significant amount in a given year. The bill's effect on TTF revenues cannot be reliably predicted, as it depends on the policy decisions of BPW. *For illustrative purposes only*, it is estimated that a one-month suspension in the increase in the CPI component of the motor fuel tax rates for fiscal 2025 would reduce TTF revenues by \$2.5 million, and a one-year suspension for fiscal 2025 would reduce TTF revenues by \$30.2 million.

---

### **Additional Information**

**Recent Prior Introductions:** Similar legislation has not been introduced within the last three years.

**Designated Cross File:** None.

**Information Source(s):** Comptroller's Office; Board of Public Works; Department of Legislative Services

**Fiscal Note History:** First Reader - February 20, 2024  
rh/hlb

---

Analysis by: Elizabeth J. Allison

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