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The Vermont Legislative Research Shop

Motor Fuel Excise and Sales Taxes

The federal government levies an excise tax of 18.4 cents per gallon of gasoline sold. The amount that states tax on top of that varies from 7.5 cents per gallon in Georgia and 8 cents in Alaska all the way up to 31 cents per gallon in Rhode Island and 28.5 cents in Wisconsin.¹ The average tax on gasoline for all states is 20.3 cents per gallon. Vermont currently taxes 20 cents per gallon and is ranked 30th among all states.²

The federal government taxes 24.4 cents per gallon for diesel fuel. The amount that each state taxes varies from a low of 7.5 cents in Georgia and 8 cents in Alaska to 30.8 cents in Pennsylvania. Vermont currently taxes 26 cents per gallon of diesel fuel and is tied with several other states at 10th highest in the nation.³

A gasoline tax (also known as a gas tax, petrol tax, fuel tax or fuel duty) is a sales tax imposed on the sale of gasoline. Frequently the funds are dedicated to transportation, or even roads, so that the gas tax can be considered a users fee.⁴

There are currently 5 states that apply their sales tax to motor fuels – Hawaii, Connecticut, Georgia, Indiana, and Delaware.⁵ Hawaii uses most of the sales tax on gas to pay for road and highway maintenance.⁶ This is also shown to be the case in Indiana.⁷ Georgia has increased its

¹ Rick Vanderknyff. “The Best and Worst States for Taxes” MSN.

<http://moneycentral.msn.com/content/Taxes/P111921.asp?special=0502tax> Web site visited 3-15-05.

² U.S. Department of Transportation Federal Highway Administration, “Tax Rates on Motor Fuels – 2003” <http://www.fhwa.dot.gov/policy/ohim/hs03/pdf/mf121t.pdf> Web Site accessed 3-15-05.

³ U.S. Department of Transportation Federal Highway Administration, “Tax Rates on Motor Fuels – 2003” <http://www.fhwa.dot.gov/policy/ohim/hs03/pdf/mf121t.pdf> Web Site accessed 3-15-05.

⁴ Answers.com, “Gasoline tax.” <http://www.answers.com/topic/gasoline-tax-2>

⁵ John Williams, Minnesota House of Representatives, Research Department, “Survey of State and Local Gas Taxes”, January 2002. <http://www.house.leg.state.mn.us/hrd/pubs/gastax.pdf> Web site visited 3-15-05.

⁶ Berkley Publications, “Hawaii Summary of Findings”

<http://www.its.berkeley.edu/publications/localoptiontax/hawaii.pdf> Web site visited 3-31-05.

⁷ The Associated Press State & Local Wire, “Lawmakers: Gas tax option to pay for Indiana roads”, http://web.lexisnexis.com/universe/document?_m=fd5d98738fc69bf9c9fb42dd8bc5d3a8&_docnum=1&wchp=dGLbVlb-zSkVb&_md5=01a06800acd5e6613b0ae15f8d5bf635 Web site visited 3-29-05.

gas tax in order to accommodate transportation improvement.⁸ The variation of state taxes on motor fuel can be seen in figure 1.

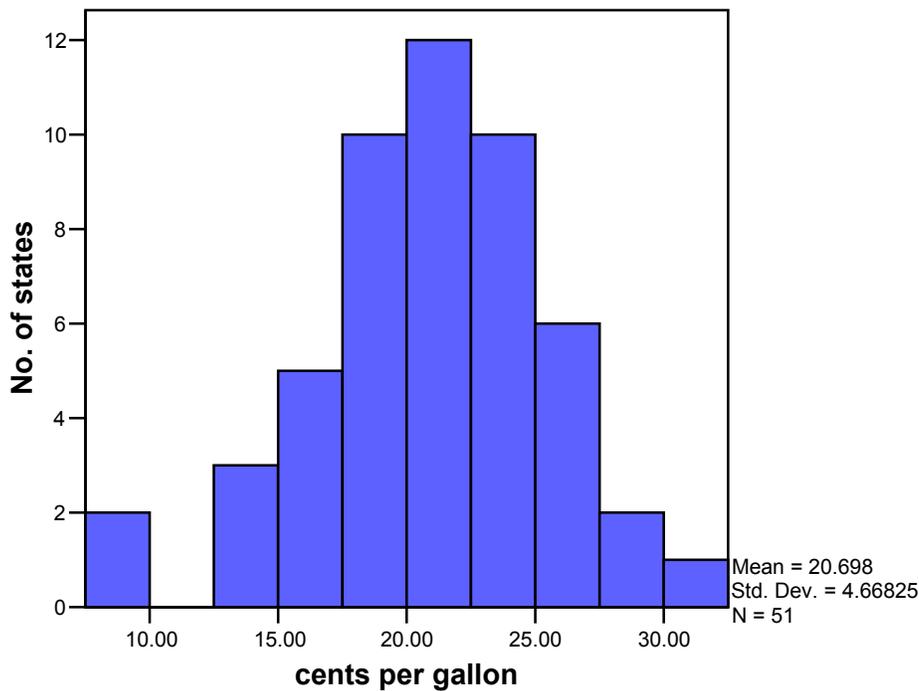


Figure 1: The mean and distribution of motor fuel tax in the United States.

Source: Rick Vanderknyff. “The Best and Worst States for Taxes.” MSN. <http://moneycentral.msn.com/content/Taxes/P111921.asp?special=0502tax>.

Fuel Consumption in Vermont

In Vermont in 2003 there was a reported consumption of 353,538,000 gallons of gasoline and gasohol (a mixture of 90% gasoline and 10% ethanol).⁹ The information of how much of a percentage of this number was gasohol was unavailable. If the Vermont sales tax was applied to this number at 6%, assuming gasoline prices stayed steady around \$2.00, then in an average year the amount coming back to the state would be \$42,424,560. For every 1% of motor fuels taxed, tax revenue to the state would be approximately \$7,000,000.

⁸ Althea Fulton, Association of County Commissioners of Georgia, “Transportation Funding 2003” *Challenges and Prospects in Georgia*

http://www.innovativefinance.org/news_innovations/02212003_transportation_funding_2003.asp
Web Site accessed 3/29/05

⁹ U.S. Department of Transportation Federal Highway Administration, “Motor-Fuel Use 2003” <http://www.fhwa.dot.gov/policy/ohim/hs03/pdf/mf21.pdf> Web site visited 3-15-05.

Tax Relief for Vehicle Registration

Vermont offers exemptions on vehicles registration for: veterans, the disabled, vehicles belonging to volunteer fire departments, charitable institutions, and government agencies.¹⁰

California offers late vehicle registration fee exemptions for members of the armed services or National Guard.¹¹

Nevada offers car registration relief for veterans, veteran's widows, and the blind.¹² Nevada Legislature now has a car registration rebate bill before it that is supported by the Governor. The proposed rebate program was introduced as a means of spending the state's 360 million dollar surplus. The program would refund up to \$300 to every vehicle owner in the state.¹³

Compiled by the request of Representative David Sharpe by Daniel Wander, Richard Hodges, and Micah Rabin, under the supervision of Professor Anthony Gierzynski on April 5, 2005.

Disclaimer: This report was prepared by undergraduate students at the University of Vermont under the supervision of Professor Anthony Gierzynski. The material contained in this report does not reflect official policy of the University of Vermont.

¹⁰ Vermont Department of Motor Vehicles, "Purpose and Use Tax Exemptions", <http://www.aot.state.vt.us/dmv/REGISTRATION/tax/TAXExemptions.htm> Web site visited on 3-29-05.

¹¹ Kathleen Murphy, "New Years rings in many new state laws", Stateline.org Tuesday, December 28, 2004 <http://www.stateline.org/live/ViewPage.action?siteNodId=136&languageId=1&contentId=15886> Web site visited 3-29-05.

¹² Nevada Department of Motor Vehicles, "Vehicle Registration" <http://www.dmvnv.com/nvreg.htm#tax> Web site visited on 3-17-05.

¹³ Nevada Appeal Editorial Board, "Guinn goes for the registration rebate", January 7, 2005 <http://www.nevadaappeal.com/article/20050107/OPINION/101070028&SearchID=7320133030567> Web site visited 3-17-05.

Appendix

TAX RATES ON MOTOR FUEL - 2003¹

TABLE MF-121T
SHEET 1 OF 2

NOVEMBER 2004									
(CENTS PER GALLON)									
STATE	GASOLINE		DIESEL		LIQUEFIED PETROLEUM GAS		GASOHOL 2/		
	RATE	EFFECTIVE DATE	RATE	EFFECTIVE DATE	RATE	EFFECTIVE DATE	RATE	EFFECTIVE DATE	EXEMPTION
Alabama *	18	06/01/95	19	06/01/95	17	06/01/95	18	06/01/95	-
Alaska	8	07/01/70	8	07/01/70	-	-	8	07/01/97	-
Arizona *	18	07/01/90	26	07/01/00	18	07/01/90	18	07/01/90	-
Arkansas *	21.7	09/01/01	22.7	09/01/01	16.5	01/01/02	21.7	09/01/01	-
California *	18	01/01/94	18	01/01/94	6	01/01/76	18	01/01/94	-
Colorado *	22	01/01/91	20.5	01/01/92	20.5	01/01/92	22	01/01/91	-
Connecticut *	25	07/01/00	26	08/01/02	-	07/01/96	24	07/01/00	1
Delaware	23	01/01/95	22	01/01/95	22	01/01/95	23	01/01/95	-
Dist. of Col.	20	10/01/94	20	10/01/94	20	10/01/94	20	10/01/94	-
Florida *	13.9	01/01/02	26.4	01/01/02	26.4	01/01/02	13.9	01/01/02	-
Georgia	7.5	07/01/71	7.5	07/01/71	7.5	07/01/71	7.5	07/01/71	-
Hawaii *	16	07/01/91	16	07/01/91	5.3	03/01/02	16	07/01/91	-
Idaho *	25	04/01/96	25	04/01/96	18.1	04/01/96	22.5	07/01/94	2.5
Illinois *	19	01/01/90	21.5	01/01/90	19	01/01/90	19	01/01/90	-
Indiana *	18	04/01/03	16	04/01/93	-	-	15	04/01/90	-
Iowa *	20.3	07/01/03	22.5	01/01/89	20	01/01/89	19	01/01/89	1
Kansas *	24	07/01/03	26	07/01/03	22	07/01/02	24	07/01/03	-
Kentucky *	16.4	07/15/94	13.4	07/15/94	16.4	07/01/86	16.4	07/15/94	-
Louisiana *	20	01/01/90	20	01/01/90	16	07/01/93	20	01/01/90	-
Maine *	22	08/01/99	23	08/01/99	21	08/01/99	22	08/01/99	-
Maryland	23.5	05/01/92	24.25	07/01/93	23.5	07/01/93	23.5	05/01/92	-
Massachusetts	21	01/01/91	21	01/01/91	15	10/01/03	21	01/01/91	-
Michigan *	19	08/01/97	15	01/01/84	15	01/01/84	19	08/01/97	-
Minnesota *	20	06/01/88	20	06/01/88	15	07/01/95	20	06/01/88	-
Mississippi *	18.4	07/01/93	18.4	07/01/93	17	01/01/89	18.4	07/01/93	-
Missouri *	17	04/01/96	17	04/01/96	17	04/01/96	17	04/01/96	-
Montana *	27	07/01/94	27.75	07/01/94	-	-	27	07/01/94	-
Nebraska *	24.6	07/01/03	24.6	07/01/03	24.6	07/01/03	24.6	07/01/03	-
Nevada	25.7	01/01/03	27.7	01/01/97	22	07/01/97	24.7	01/01/97	-
New Hampshire *	19.5	07/01/95	19.5	07/01/95	18	06/16/91	19.5	07/01/95	-
New Jersey *	10.5	07/01/88	13.5	07/01/88	5.25	07/01/88	10.5	01/01/92	-
New Mexico *	18.5	10/01/00	19.5	10/01/00	6	01/01/98	18.5	10/01/98	-
New York *	22.65	01/01/02	20.85	01/01/02	8.05	01/01/01	22.65	01/01/02	-
North Carolina *	24.2	06/01/03	24.2	06/01/03	22.1	06/01/03	24.2	06/01/03	-
North Dakota *	21	07/01/99	21	07/01/99	21	07/01/99	21	07/01/99	-
Ohio *	24	07/01/03	24	07/01/03	24	07/01/03	24	07/01/03	-
Oklahoma *	17	07/01/89	14	07/01/89	17	07/01/89	17	07/01/89	-
Oregon *	24	01/01/00	24	01/01/00	18.5	09/09/95	24	01/01/00	-
Pennsylvania *	25.9	01/01/03	30.80	01/01/03	19.2	01/01/03	25.9	01/01/03	-
Rhode Island *	30	07/01/02	30	07/01/02	30	07/01/02	30	07/01/02	-
South Carolina	16	01/01/89	16	01/01/89	16	01/01/89	16	01/01/91	-
South Dakota *	22	04/01/99	22	04/01/99	20	04/01/99	20	04/01/99	2
Tennessee *	21.4	04/01/03	18.4	04/01/03	14	04/01/89	20	04/01/89	-
Texas *	20	10/01/91	20	10/01/91	15	01/01/87	20	10/01/91	-
Utah *	24.5	07/01/97	24.5	07/01/97	24.5	07/01/97	24.5	07/01/97	-
Vermont *	20	08/01/97	26	07/01/00	-	-	20	08/01/97	-
Virginia *	17.5	07/01/92	16	07/01/92	16	01/01/98	17.5	07/01/92	-
Washington *	28.00	07/01/03	28.00	07/01/03	-	-	28	07/01/03	-
West Virginia *	25.35	01/01/02	25.35	01/01/02	25.35	01/01/02	25.35	01/01/02	-
Wisconsin *	28.5	04/01/03	28.5	04/01/03	28.5	04/01/03	28.5	04/01/03	-
Wyoming *	14	07/01/98	14	07/01/98	-	-	14	07/01/98	-
Mean	20.3		20.47		17.24		20.35		
Weighted Avg.	19.1		19.39		11.93		20.61		
Federal Tax	18.4	10/01/97	24.4	10/01/97	13.6	10/01/97	13.2	01/01/01	5.2

Source: U.S. Department of Transportation Federal Highway Administration, "Tax Rates on Motor Fuels 2003"
<http://www.fhwa.dot.gov/policy/ohim/hs03/pdf/mf121t.pdf>