

CAPITOL FACTS & FIGURES

● ● ● TRANSPORTATION

State Motor Fuel Taxes

States have had difficulty increasing motor fuel taxes in recent years.

- No state raised its gas tax in 2010.¹
- Only a handful of states raised their gas taxes in either 2008 (Indiana, Minnesota) or 2009 (Hawaii, Oregon, Rhode Island, Vermont, District of Columbia).²
- Twelve states and Puerto Rico have not raised their gas taxes in more than 20 years.³
- While 15 states increased gas taxes between 1997 and 2009, the small increases (usually less than 5 cents per gallon) lag what would fulfill estimated transportation funding needs in those states.⁴

Motor fuel taxes as currently enacted in many states have significant limitations

- Combined state and federal gas taxes in the United States average 40.4 cents per gallon, lower than most industrialized nations.⁵
- Rapidly increasing construction costs undercut the purchasing power of the funding currently provided for transportation in many states.⁶
- State gas taxes have failed to account for inflation and increased fuel efficiency. The fuel tax in Virginia, for example, is below what it was in 1957, when measured in terms of revenue in constant dollars per mile of driving.⁷
- Seven states—including Florida, Iowa, Kentucky, Maine, Nebraska, New York and North Carolina—have variable gas tax rates, often with either all or a portion of the tax indexed to a local consumer price index or the wholesale price of fuel.⁸

Increasing gas taxes is still seen by many as the most viable option for raising substantial transportation revenue.

- Fuel taxes have low collection costs, are relatively fraud proof and are fairer toward the poor than available alternatives.⁹
- While an imperfect mechanism, fuel taxes can help states transition to better user fees in the future; for example, fees based on vehicle miles travelled.¹⁰



A number of states in 2011 have considered, are currently considering or may soon consider gas tax changes to help fund transportation improvements.

- Maryland legislators are considering a gas tax increase this year as the state faces a third year of declines in the dollars available for local highway aid. With the exception of Baltimore County, every jurisdiction in Maryland has seen its road repair money slashed by 97 percent since the 2007 budget year. Maryland's gas tax has remained at 23.5 cents a gallon for nearly two decades. Some also predict local highway revenues could be raided this year to help balance the budget for a third straight year. If the current budget is approved,



the state will have diverted about \$1 billion in road funds from localities to the general fund over the past three budget years.¹¹ Maryland has a \$40 billion backlog in planned but unfunded highway projects.¹² Proposed legislation (House Bill 1001 and Senate Bill 714) would add a dime to the price of a gallon of gas in Maryland, and increase all vehicle registration fees by 50 percent beginning July 1. Beginning in 2013, the gas tax would be indexed to the annual percentage growth in construction costs—up to a 1 cent increase annually.¹³ The annual increases would not require the legislature to vote, and members of the body would be able to avoid the political fallout from voting on a gas tax increase in the future.¹⁴ The legislation would also put a constitutional amendment on the November 2012 ballot that would prohibit lawmakers from raiding the Transportation Trust Fund to balance the budget. Supporters believe the legislation would bring in roughly \$375 million for transportation next year. A group of Democratic senators has proposed a larger gas tax increase—35.5 cents a gallon—as part of a package of tax hikes.¹⁵

- Republican Sen. Kevin Van Tassel in Utah this year proposed a 5 cent-a-gallon gas tax increase. Senate Bill 239 would have been the first increase since 1997 and would have raised more than \$60 million annually for the state's highway transportation fund. The legislation included additional increases of three-fourths of a cent per gallon in 2013, 2015 and 2017. Cities and counties are struggling to maintain roads with existing revenues in the state.¹⁶ The state Senate rejected the plan in early March.¹⁷
- South Dakota legislators also considered a gas tax increase during their 2011 legislative session. State Sen. Mike Vehle, a Republican, introduced legislation (Senate Bill 177) to raise the state's 22 cent-a-gallon tax by 6 cents over two years. A pair of studies by the state highway department show

the number of poor roads in the state will increase dramatically in the next decade without proper maintenance funding. Moreover, Vehle said, it costs \$800 per mile per year to maintain roads for excellent condition, \$1,700 per mile per year for good condition and \$2,400 per mile per year for fair condition. "So, by allowing the roads to deteriorate, you're just passing that increased cost on to the next generation," Vehle said.¹⁸ The senator's bill did not pass.¹⁹

- State Sen. Kathy Campbell, a Republican in Nebraska, has proposed a 5-cent gas tax hike (Legislative Bill 504) to take effect in October 2011, with another 5 cent hike to take place a year later.²⁰
- Lawmakers in Wyoming considered a House bill that would have raised the state's gas tax for the first time since 1998. House Bill 22, which was defeated, would have increased the fuel tax by 10 cents in three steps beginning July 1 and ending in 2013. It was projected to raise \$73 million annually with 67 percent going to the state Department of Transportation and the rest shared by counties and cities. State transportation officials say \$135 million is needed annually to fix the roads in Wyoming.²¹
- Georgia lawmakers are considering a sweeping overhaul of the state's taxation system (House Bill 385) that would index the state's gas tax to the cost of road construction. Currently, about half of the state's gas tax is assessed as a per-gallon charge that changes according to the price of gas. It is set about twice a year by the state Revenue Department. The other half of the tax is a per-gallon charge that never changes. It has remained at 7.5 cents per gallon since 1971.²² Supporters of the change say it would make gas tax revenues more predictable and reliable and would put the revenue more in line with the costs of projects it is supposed to fund. The tax change could produce an additional \$300 million annually to help fund transportation in the state.²³
- Connecticut Gov. Dannel Malloy, a Democrat, has proposed a state budget that would include a 3-cent increase in the state's gasoline tax. It's part of one of the largest and most wide-ranging tax increase proposals in the state's history.²⁴
- Iowa Gov. Terry Branstad, a Republican, told transportation stakeholders in Des Moines in January that he is open to an increase in Iowa's gas tax next year to help pay for road maintenance and other infrastructure projects. Branstad characterized the gas tax as a user fee rather than a regular revenue source and emphasized infrastructure improvement as being critical to creating jobs, raising incomes and making Iowa a more competitive state.²⁵
- A tax realignment commission in South Carolina last year recommended the state increase its gas tax by 5-cents a gallon to generate an additional \$150 million annually for road repair.²⁶

- Arkansas Speaker of the House Robert Moore, Jr., a Democrat, has proposed a 5-cent diesel tax increase (House Bill 1902) to finance a bond issue for maintenance and improvement of the state's interstate highway system. A proposed constitutional amendment, which like the diesel tax increase would go before the voters next year if approved by the legislature, would increase the state sales tax by half a cent to fund another bond program to finance a new statewide four-lane highway system.²⁷
- The state of Washington is expected to collect fewer gas tax dollars in the upcoming budget year than in the current one. But instead of increasing or indexing the gas tax to collect more revenue, state lawmakers are trying to address an issue that will likely further erode gas tax dollars in the years ahead: the proliferation of electric cars. State senators have proposed charging electric vehicle owners a flat fee of \$100 a year to help take care of the highways. Although the fee would only generate around \$500,000 for transportation in the next two years (due to the relatively low numbers of electric vehicles currently in use), lawmakers say it is an important step in ensuring all automobile owners share in the burden of maintaining highways.²⁸ The state Senate approved the legislation (Senate Bill 5251) March 29 on a 36 to 11 vote, with opponents arguing that a flat fee for all-battery-powered cars was a too simplistic approach.²⁹

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²⁷John Crowley. "Analysis: Most states say no to gasoline tax hikes." Reuters. March 8, 2011. Accessed from: <http://www.reuters.com/assets/print?aid=USTRE7274QF20110308>

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³⁸Jerry Cornfield. "Senate's transportation budget would levy \$100 annual fee on electric cars." *The Daily Herald* (Everett, WA). March 23, 2011. Accessed from: <http://heraldnet.com/article/20110323/NEWS01/703239889>

³⁹Katie Schmidt. "Senate OKs road tax on electric vehicles." *The Olympian*. March 30, 2011. Accessed from: <http://www.theolympian.com/2011/03/30/1597321/senate-oks-road-tax-on-electric.html>

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¹⁰Wachs.

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State Motor Fuel Tax Rates

(as of January 2011)

States	Gasoline Excise Fee/Tax (cents per gallon) ¹	Effective Date	Diesel Excise Fee/Tax (cents per gallon)	Effective Date
Alabama	18	10/01/95	19	06/01/92
Alaska	8	07/01/61	8	07/01/61
Arizona	19	07/01/00	19	07/01/00
Arkansas	21.8	07/01/01	22.8	07/01/01
California	35.3	01/01/94	18	01/01/94
Colorado	22	01/01/91	20.5	01/01/92
Connecticut	25	01/01/05	39.6	07/01/08
Delaware	23	01/01/95	22	01/01/95
Florida	16.2	01/01/10	30	01/01/10
Georgia	17.6	07/01/71	18.8	07/01/71
Hawaii	17	07/01/07	17	07/01/07
Idaho	26	04/01/96	26	04/01/96
Illinois	20.1	01/01/90	22.6	01/01/90
Indiana	18	04/01/03	16	04/01/93
Iowa	22	07/01/08	23.5	01/01/89
Kansas	24	07/01/03	26	07/01/03
Kentucky	25.9	10/01/09	22.9	10/01/09
Louisiana	20	01/01/90	20	01/01/90
Maine	29.5	07/01/09	30.7	07/01/09
Maryland	23.5	05/01/92	24.25	07/01/93
Massachusetts	21	01/01/91	21	01/01/91
Michigan	19	08/01/97	15	04/01/03
Minnesota	29.6	07/01/09	29.6	07/01/09
Mississippi	18.4	08/01/00	18.4	08/01/00
Missouri	17.3	04/01/96	17.3	04/01/96
Montana	27	07/01/94	27.75	07/01/94
Nebraska	27.3	01/01/10	26.7	01/01/10
Nevada	24.805	10/01/92	27.75	10/01/92
New Hampshire	19.625	01/01/00	19.625	01/01/00
New Jersey	14.5	07/01/88	17.5	07/01/88
New Mexico	18.875	07/01/99	22.875	07/01/04
New York	25	01/01/09	23.25	01/01/09
North Carolina	32.75	01/01/08	32.75	07/01/08
North Dakota	23	07/01/05	23	07/01/05
Ohio	28	07/01/05	28	07/01/05
Oklahoma	17	05/27/87	14	05/27/87
Oregon	30	01/01/11	30	01/01/93
Pennsylvania	31.2	01/01/06	38.1	01/01/06
Rhode Island	33	07/01/02	33	07/01/02
South Carolina	16.75	07/01/87	16.75	07/01/87
South Dakota	24	04/01/99	24	04/01/99
Tennessee	21.4	04/01/89	18.4	04/01/90
Texas	20	10/01/91	20	10/01/91
Utah	24.5	07/01/97	24.5	07/01/97
Vermont	24.98	07/01/99	29	07/01/02
Virginia	17.5	01/01/87	17.5	01/01/87
Washington	37.5	07/01/08	37.5	07/01/08
West Virginia	32.2	01/01/08	32.2	01/01/08
Wisconsin	32.9	04/01/06	32.9	04/01/06
Wyoming	14	07/01/98	14	07/01/98
District of Columbia	20	10/01/09	20	10/01/94
Puerto Rico	16	07/01/75	8	07/01/94

¹Where applicable, these totals include added environmental fees, sales taxes and inspection fees.

Sources: Federal Highway Administration, Federation of Tax Administrators