

Role of Motor Fuel Tax in Funding Roads

Joint Select Committee on Tax Reform

August 22, 2016

Mark Muchow, Deputy Cabinet Secretary

Motor Fuel Tax Summary-WV

- Total Tax Rate in WV:
 - 51.6 Cents Gasoline; 57.6 Cents Diesel
 - Federal Tax:
 - 18.4 cents per gallon – Gasoline
 - 24.4 cents per gallon - Diesel
 - State Tax: 33.2 Cents per Gallon
 - 20.5 cents per gallon excise tax – Highway Use
 - » \$10.9 million per penny tax yield
 - 5.0% wholesale sales tax – All Use
 - » Based on \$2.54 wholesale price/gallon = 12.7 cents
 - » Up to \$14 million per penny tax

Gasoline and Special Fuel Excise Tax

(Off-Road Use & Government Use Exempt)

Brief History

- 2 cents per gallon in 1923
- 3.5 cents in 1925
- 4 cents in 1927

State takes over County Roads in 1933 Following 1932 Property Tax Amendment

- 5 cents in 1937
- 7 cents in 1959 (Motor Carrier Road Tax Provisions added)
- 8.5 cents in 1970
- 10.5 cents in 1978
- 15.5 cents in 1989
- 20.5 cents in 1993 [Average annual yield is \$225 million]
- International Fuel Tax Agreement (1994)
- Tax at Rack Collection System (2004)

5.0% Gasoline and Special Fuel Sales Tax

(On Road and Off-Road Use Taxable)

Brief History Page 1

- First Effective on April 1, 1983
 - 5.0% of average wholesale price between July 1 and October 31 of prior year
 - Minimum Floor Price of \$0.97 per gallon
 - Initial tax set at 4.85 cents per gallon (5% x \$0.97 cents per gallon = 4.85 cents)
 - Collections average \$55 million to \$60 million per year
 - Price at or below \$0.97 between 1983 and 2000
- 5.15 cents/gallon in CY2001 (\$1.03/ gallon)
- 4.85 cents/gallon in 2002-2004
- 6.5 cents per gallon in 2005-2006 (\$1.30/gallon) [EO-Freeze in 2006]
 - Tax would have increased to 10.0 cents per gallon in 2006 absent freeze
- 11.0 cents per gallon in 2007 (\$2.20/gallon)

5.0% Gasoline and Special Fuel Sales Tax

(On Road and Off-Road Use Taxable)

Brief History Continued Page 2

- 11.7 cents per gallon in 2008-2011 (\$2.34/gallon) [Freeze in 2009]
 - Tax would have increased to 15.4 cents per gallon in 2009 absent freeze
 - Legislation (2009) raised Minimum Floor Price to \$2.34 per gallon in 2010
 - Imposed a limit on annual change in price to no greater than +- 10%
 - Tax would have dropped to 10 cents per gallon in 2010 absent legislation
- 12.9 cents per gallon in 2012 (\$3.16/gallon) – 10% limit applies
- 14.2 cents per gallon in 2013 (\$3.13/gallon) – 10% limit applies
- 15.2 cents per gallon in 2014 (\$3.05/gallon)
- 14.1 cents per gallon in 2015 (\$2.82/gallon)
- 12.7 cents per gallon in 2016 (\$1.83/gallon) – 10% limit applies
- 11.7 cents per gallon in 2017 (\$???) – Floor price applies

Lower Wholesale Price-Revenue Impact

Loss of \$45-\$50 Million Per Year Peak to Trough

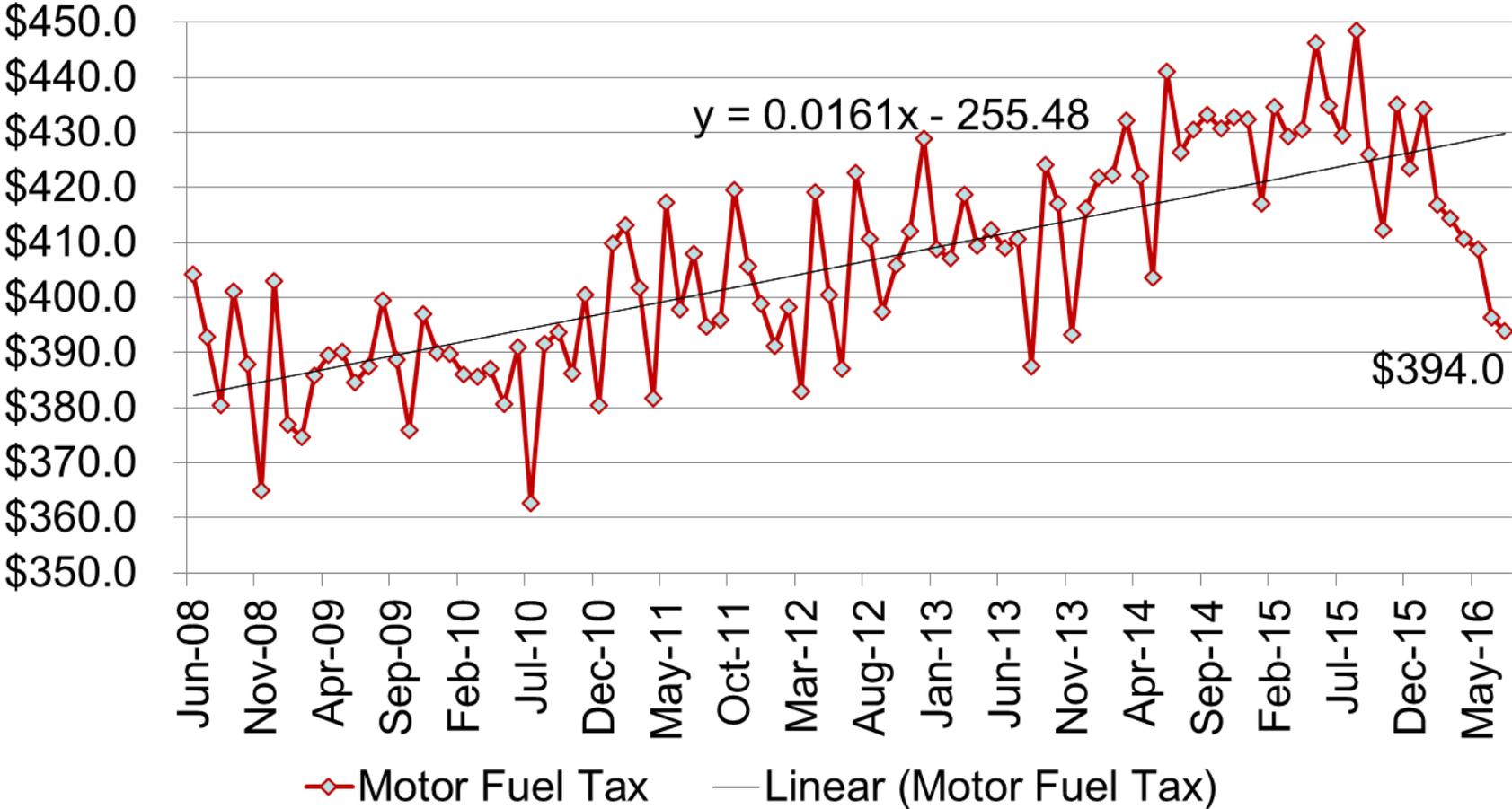
| <u>Year</u> | <u>Rate</u> | <u>Estimated Revenue</u> |
|--------------------|--------------------|---------------------------------|
| 2014 | \$0.152 | \$212 million |
| 2015 | \$0.141 | \$197 million |
| 2016 | \$0.127 | \$178 million |
| 2017 | \$0.117 | \$164 million |

Motor Fuel Tax Rate Consequences

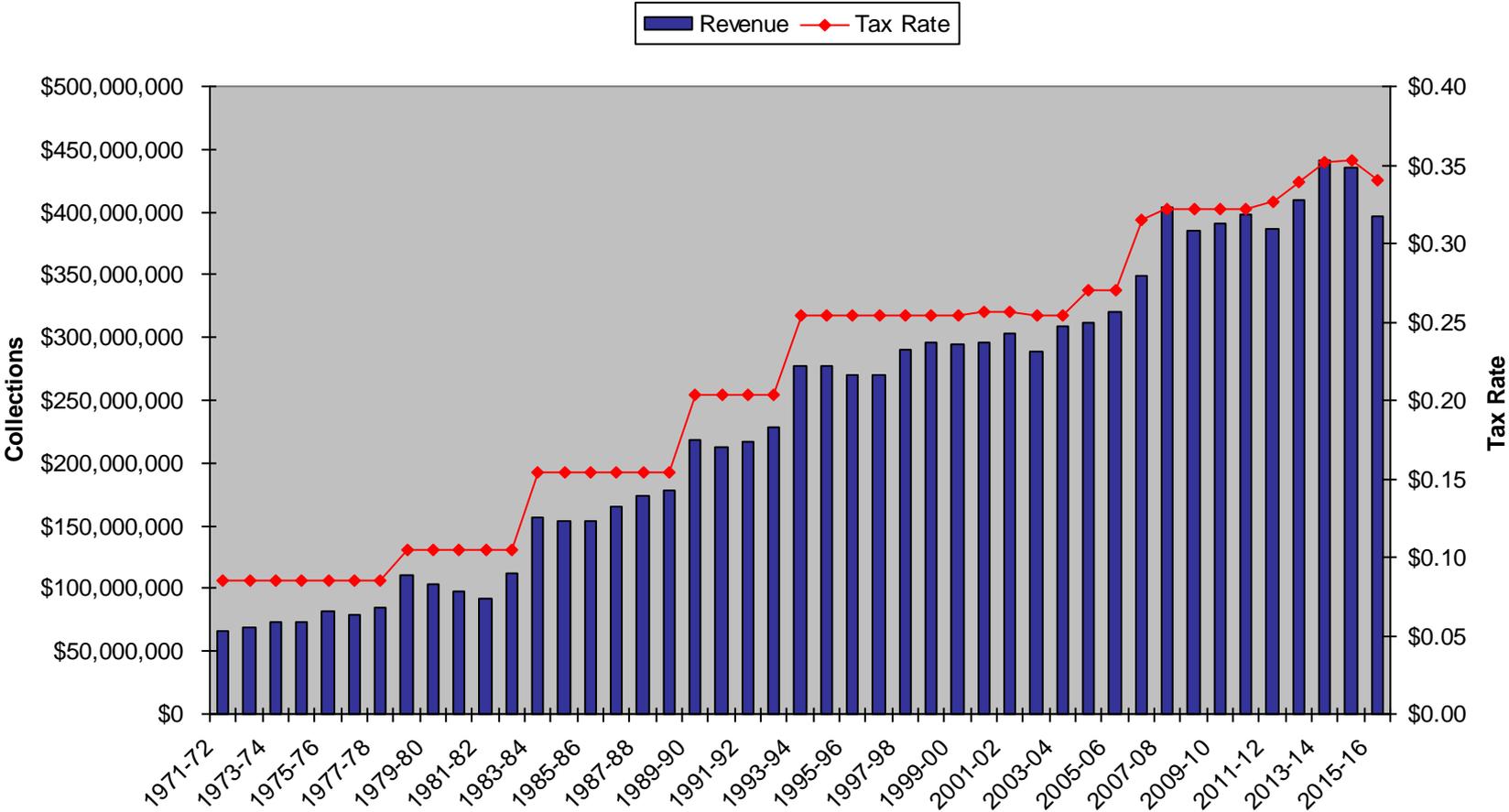
| <u>Fiscal Year</u> | <u>Collections</u> | <u>Blend Rate</u> |
|---------------------------|---------------------------|--------------------------|
| 2014 (Su-M): | \$441.1 million | \$0.3512 |
| 2015 (M-Tu): | \$434.9 million | \$0.3524 |
| 2016 (Tu-T): | \$396.4 million | \$0.3402 |
| 2017 (T-Fr): | \$388.2 million (Est) | \$0.3278 |
| 2018 (Fr-S): | | \$0.3220 |

Motor Fuel Excise Tax (July 2007- Present)

Trailing 12 Month Trend



Motor Fuel Tax History 1972-2016



State Road Funds

Average Annual Growth of 2.1%(\$309.3 M to \$396.4 Million)

Overall State Road Fund Growth Rate Average of 1.8%

Motor Fuel Tax

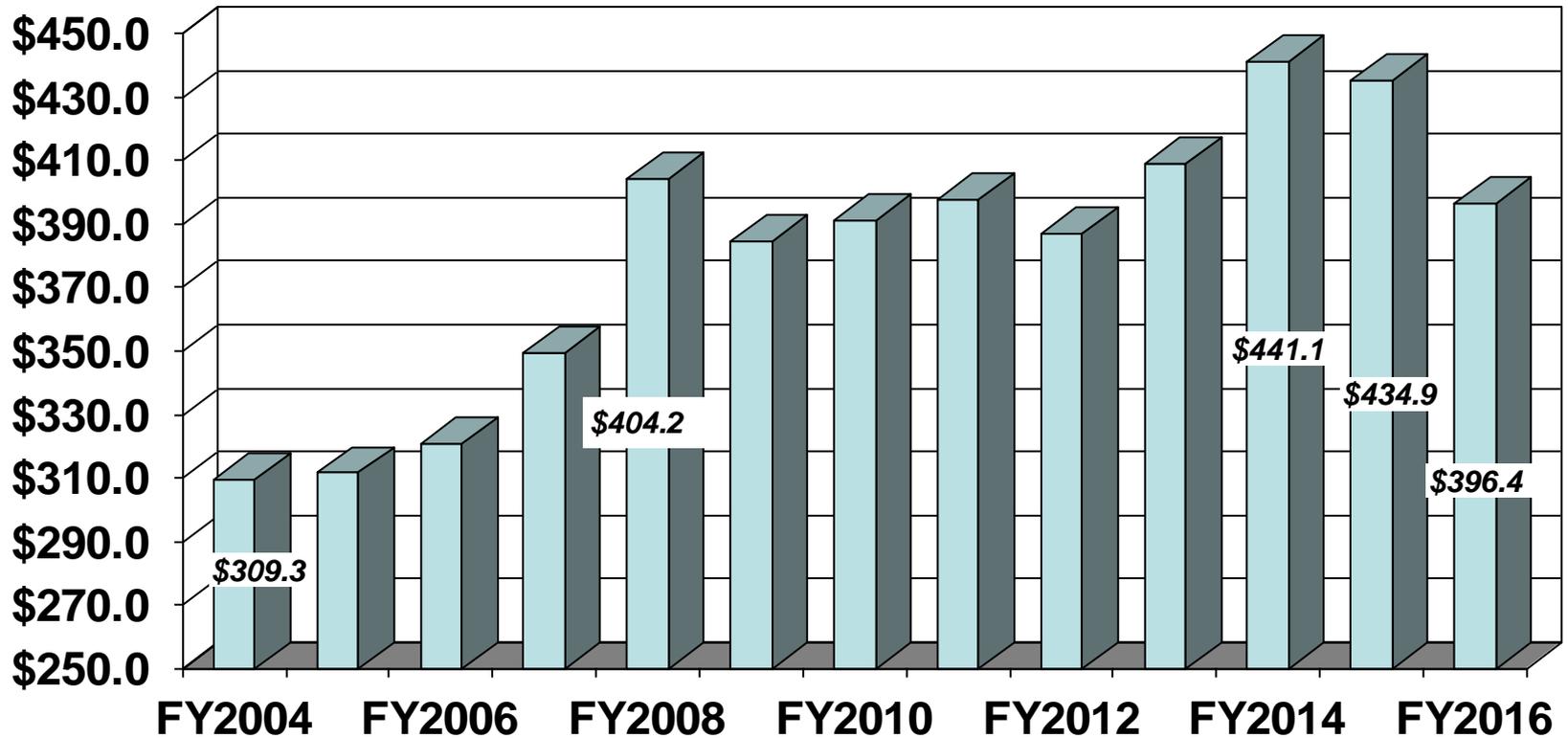
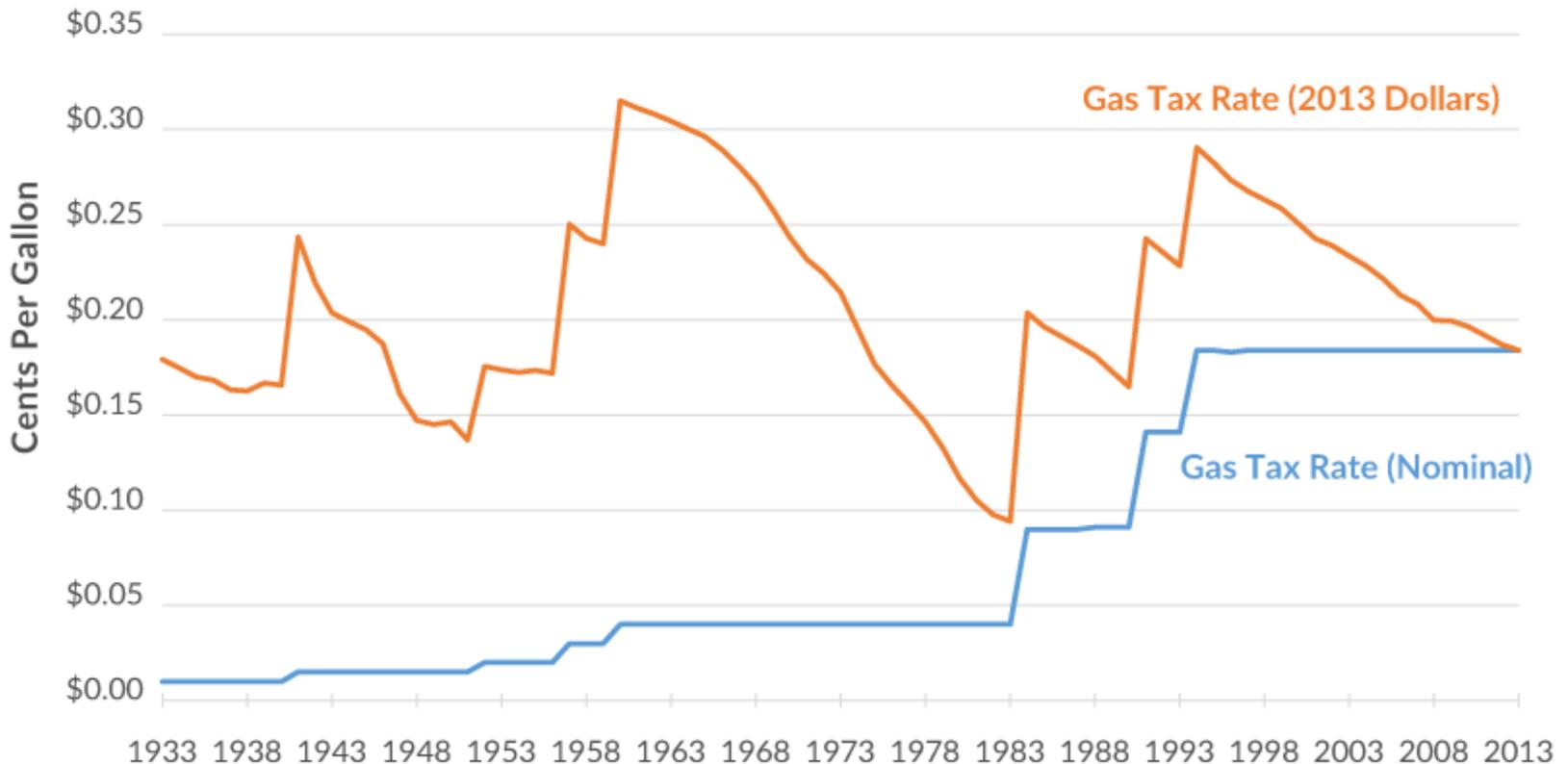


Chart 2. The Real Value of the Gas Tax has Declined by about 36 percent Since 1994

Nominal and Inflation Adjusted (2013 Dollars) Gas Tax Rates, 1933-2013



Source: IRS and Author's Calculations

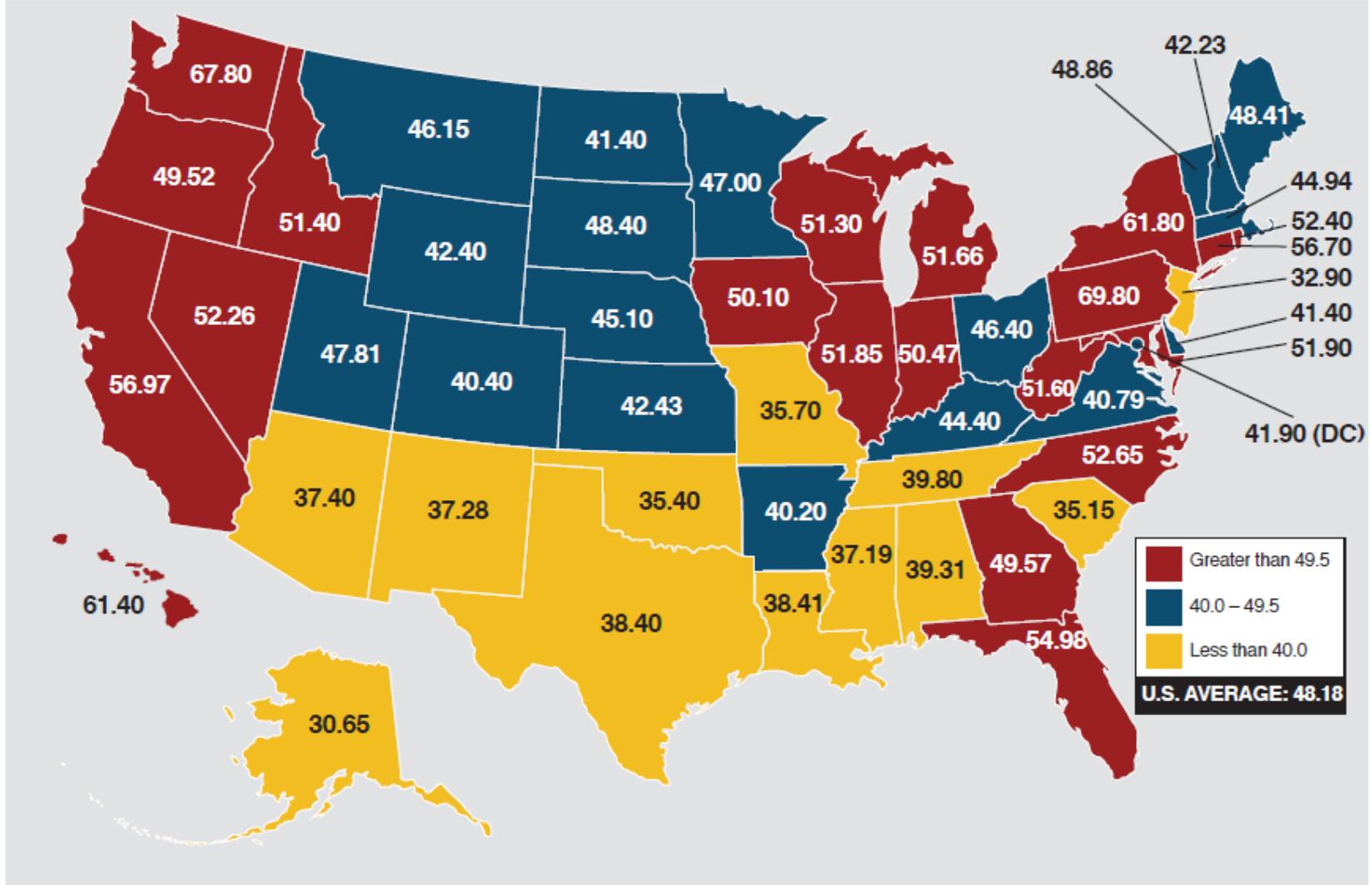
TAX FOUNDATION

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WEST VIRGINIA DEPARTMENT OF REVENUE

GASOLINE TAXES

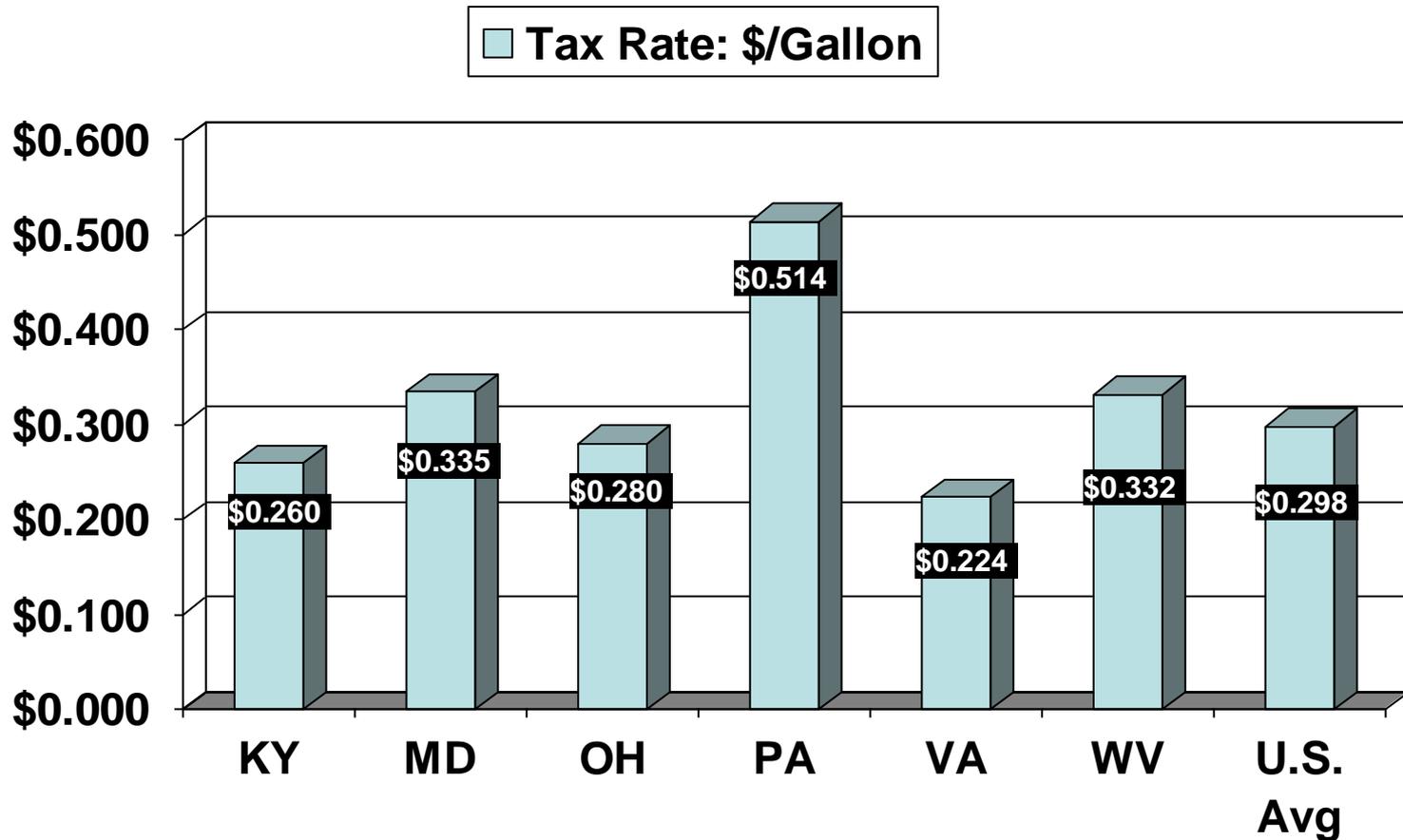
COMBINED LOCAL, STATE AND FEDERAL (CENTS PER GALLON)
RATES EFFECTIVE 7/1/2016



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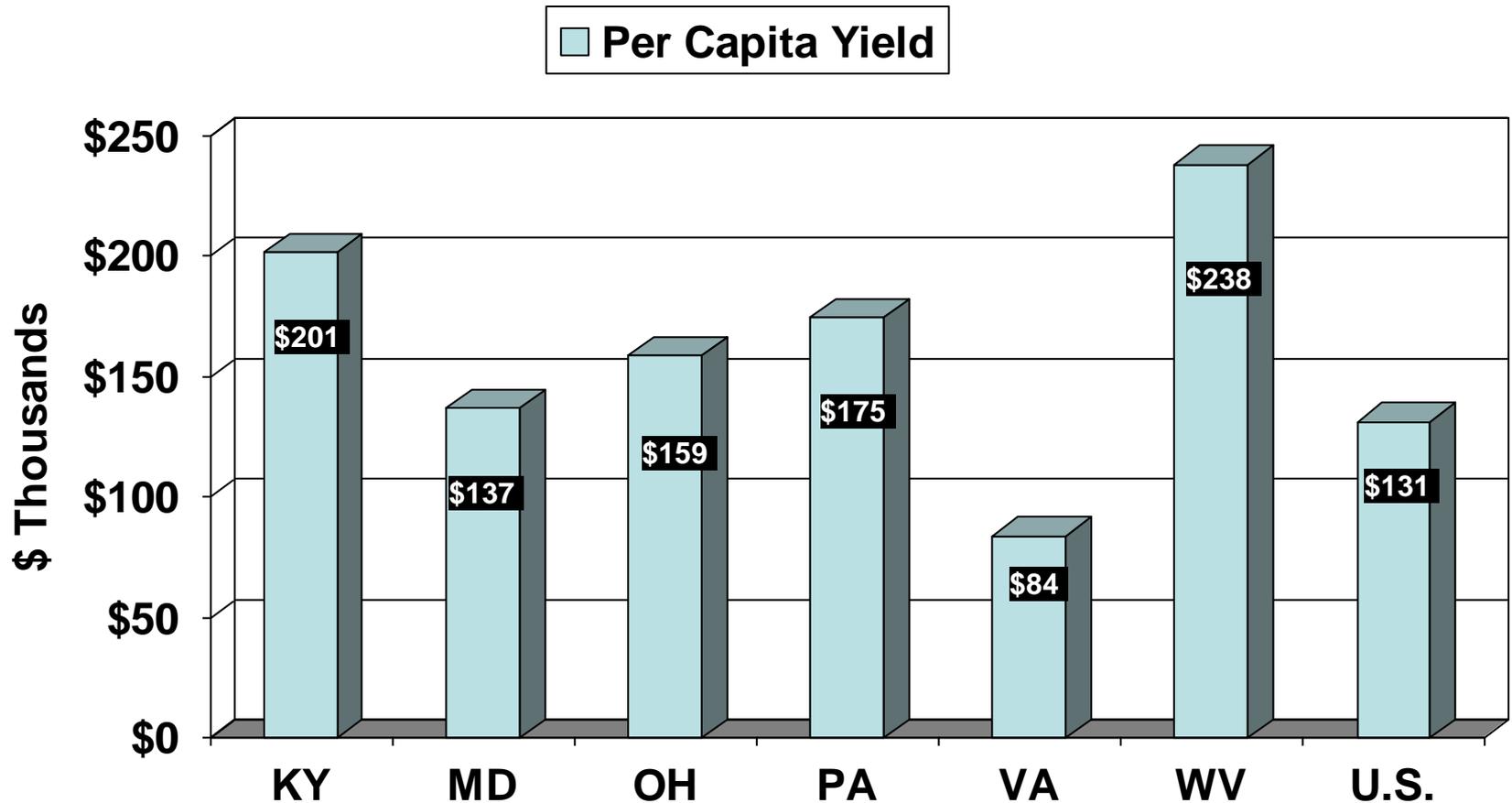
State & Local Motor Fuel Tax Rates – July 2016

Source: American Petroleum Institute



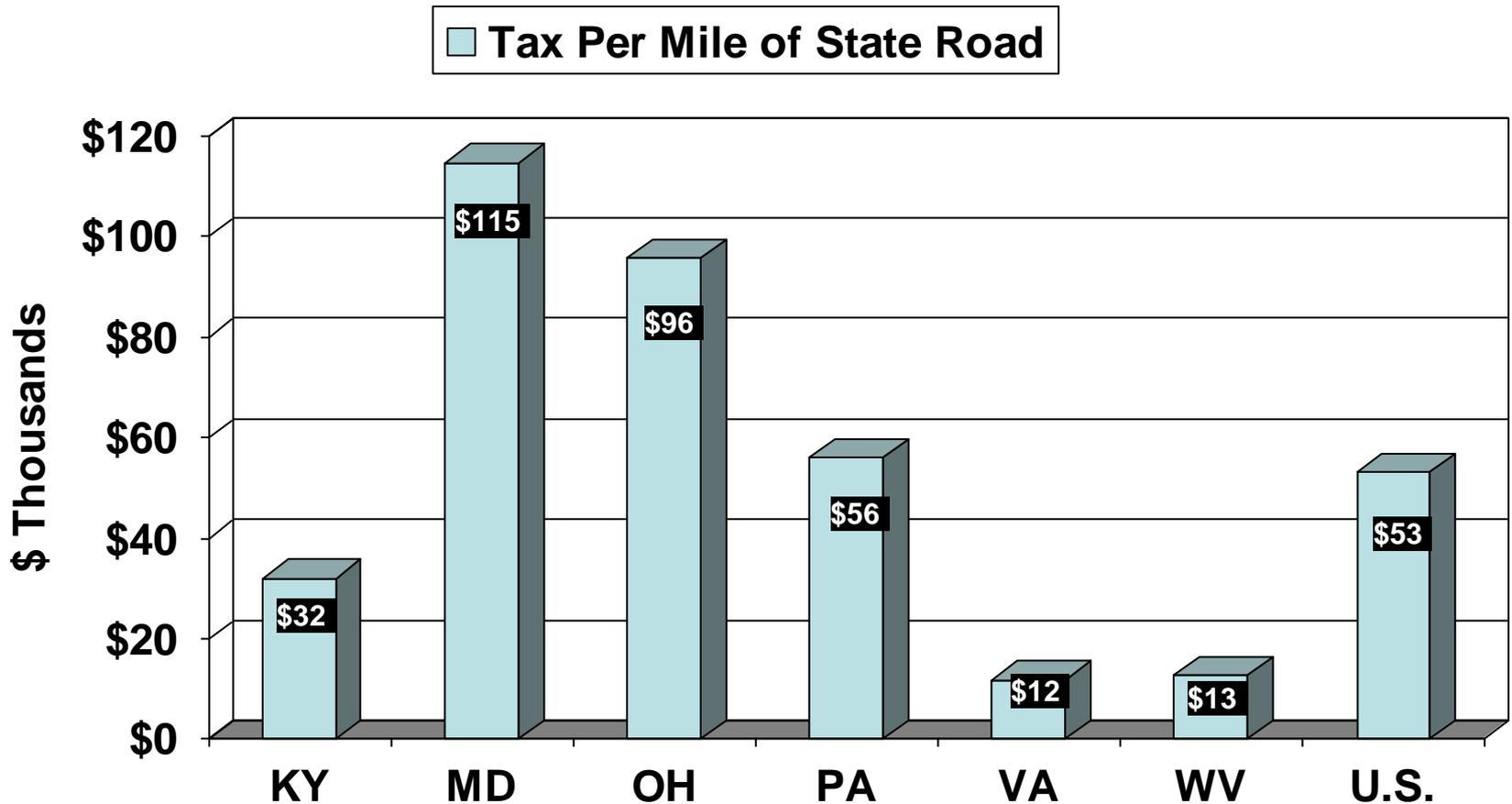
Per Capita State Motor Fuel Tax Receipts Per – FY2014

Sources: U.S. Census Bureau, *State Government Tax Collections* and Resident Population



State Motor Fuel Tax Receipts Per Mile of State Highway – FY2014

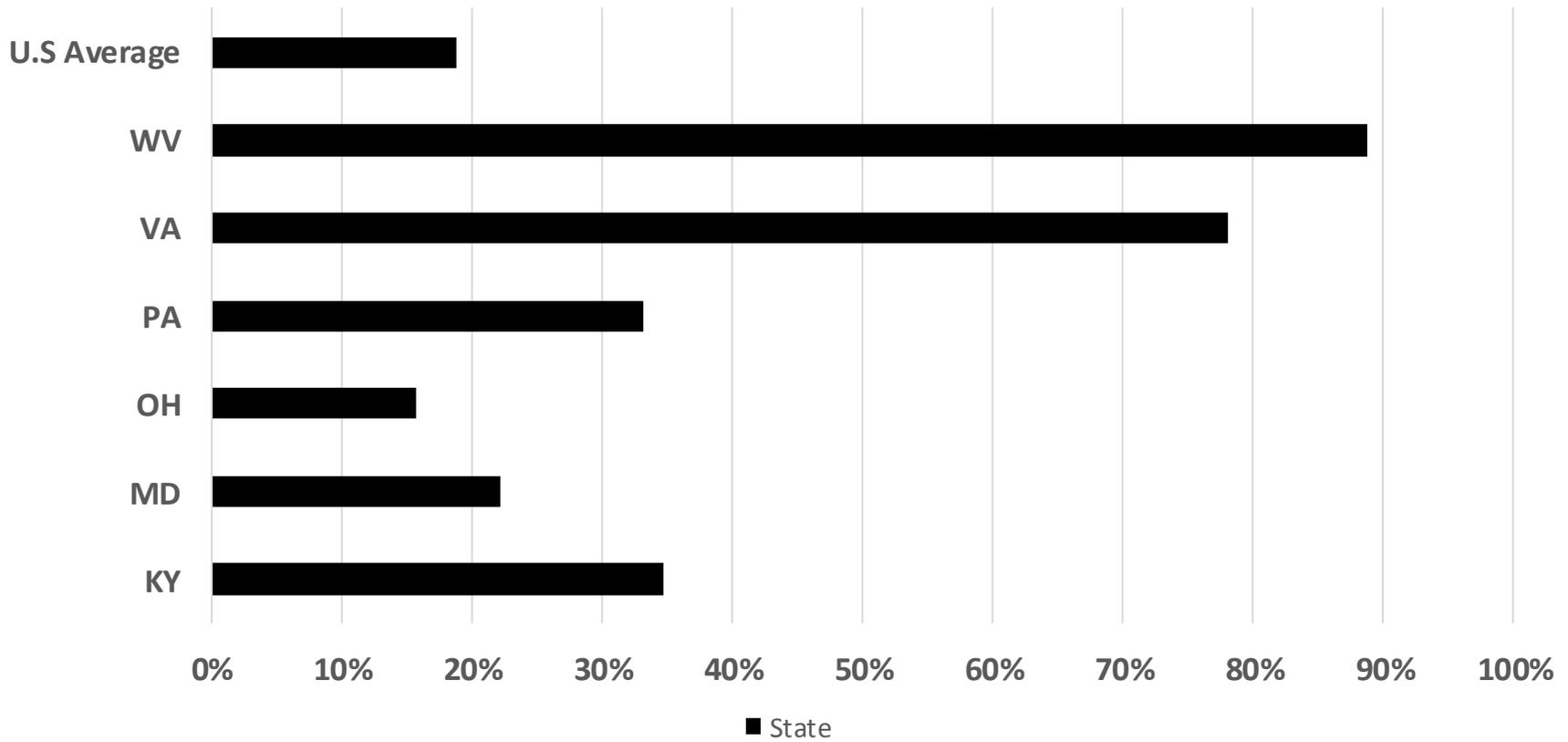
Sources: U.S. Census Bureau, *State Government Tax Collections* and Federal Highway Administration



Share of Total Highway Miles Owned by State Highway Agency – 2014

Excludes State Toll Roads (Source: Federal Highway Administration)

State Share of Roads



Contact Information/Questions

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