RUNNING ON EMPTY: ALTERNATIVES TO THE GAS TAX

NATIONAL CONFERENCE OF STATE LEGISLATURES CAPITOL FORUM

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TRENDS IN CONSTRUCTION COST GROWTH AND VEHICLE FUEL ECONOMY SINCE 1990

Source: Institute on Taxation and Economic Policy (ITEP) analysis of historical data from the Federal Highway Administration (FHWA) and fuel economy projections from the Energy Information Administration (EIA). Construction cost projections assume two percent annual growth, which is slightly slower than the 2.2 percent average growth rate in the National Highway Construction Cost Index (NHCCI) since the 2009 trough. Vehicle fuel economy data are for light duty vehicles only. Reflects data published through August 30, 2019.
FUTURE GAP IN FUEL TAX COLLECTIONS
54 FUNDING SOURCES

- Fuel Taxes
- Sales Taxes on Fuel
- Vehicle or Rental Car Sales Tax
- Vehicle Registration
- Weight Fees
- Traffic Camera Fees
- Tolls
- General Funds
- Interest Income
- Inspection Fees
- Advertising
- Impact Fees
- License or Permit Fees
- State Lottery
- Excise Taxes
- Board Funding Obligations
- Ad Valorem Taxes
- Sales Tax
- Congestion Pricing
- Oil Company Taxes
- Fares
- Documentary Stamp Revenue
- Logo Signing
- Situs Tax
- Rail Service Fees
- Toll Road Leases
- Use Tax
- Weight-distance Tax
- Fines
- Corporate Taxes
- Container Fees
- Land Sales
- Advertising Revenue
- Service Payments
- Contractor’s Tax
- Oil Tax
- Rail Regulation Fees
- Investment Income
- Trail-mile Tax
- Surcharge Fees
- Payroll Tax
- Right-of-way
- Service Concessions
- Loan Repayment
- Loan Fees
- Private Contributions
- Tobacco Tax
- Mass-Transit Tax
- VMT Fees
- Highway Litter Control Fund
- Mineral Royalties
- Short-term Lease/Borrowing
- Public space Revenue
- Parking Meters
2019 STATE TRANSPORTATION FUND REVENUE SOURCES

Source: NASBO, State Expenditure Report (2019)
- Gas Tax
- Traditional and Alternative Vehicle Registration Fees
- Road Usage Charges
- Tolling
- Transportation Network Company Fees
State Actions

- Since 2013, 30 states & D.C. have increased their gas tax
- 22 states & D.C. have indexed or variable-rate gas taxes

- The Missouri Legislature increased gas taxes in 2018, but Missouri voters rebuked the 10-cent gas tax increase.
- Virginia increased gas taxes statewide in 2013 and along the I-81 corridor in 2019.
- Nevada enacted a provision to allow Washoe County to adopt Variable-Rate MFTs in 2003 and 2009. All counties outside of Washoe County were authorized to adopt Variable-Rate MFTs in 2013 and 2015, subject to voter approval (only approved by Clark County in Nov. 2016).
<table>
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<tr>
<th>State</th>
<th>Gas Tax Increase</th>
<th>Description</th>
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| Alabama HB 2 | 10 CPG (over 3 years)             | ➢ 10/1/23: Fuel tax indexed to the National Highway Construction Cost every other year  
➢ 7/1/23: License tax and registration fee will increase by $3 every fourth year |
| Arkansas SB 336 | 3 CPG (6 CPG diesel)             | ➢ This tax is in addition to existing taxes on gasoline and diesel fuel, and will be calculated annually based on wholesale price of fuels for the previous year |
| Illinois SB 1939 | 19 CPG                        | ➢ 2020: Annually adjusted to changes in CPI  
➢ Certain counties can now raise existing local gas taxes  
➢ Lake and Will counties can now implement their own local gas taxes of up to 8 CPG |
| Ohio HB 62     | 10.5 CPG (19 CPG diesel)         | ➢ Gas and diesel taxes will rise to 38.5 CPG and 47 CPG respectively                                                                           |
| Virginia SB 1716 | 7 CPG increase in districts along I-81 corridor | ➢ Establishes an Interstate 81 Committee to prioritize and recommend improvements  
➢ Raises gas prices by approximately 7 CPG  
➢ Local 2.1 percent tax on the average wholesale price of fuel along the I-81 corridor  
➢ Beginning July 1, 2021, the diesel tax will increase to 2.03 percent of the statewide average wholesale price per gallon |
GAS TAX REFINEMENTS

**Virginia HB 2313 (2013)**
- Repealed CPG structure
- Created 3.5% wholesale tax
- Dedicates an additional .175% of sales tax to transportation (total of .675%)
- **Implements additional fees and sales taxes in urban centers and keeps those revenues in urban counties**

**Georgia HB 170 (2015)**
- Removes sales tax on fuels and converts to an excise tax only.
- 7.5 CPG and 4% sales taxes → 26 CPG tax
- Ties MFT to inflation (CPI) and **statewide vehicle fuel economy**
- New fees on heavy trucks and aviation fuel
- **$5 per night fee on hotel and motel rooms for transportation**
**INDEXED VEHICLE REGISTRATION FEES**

- **Oregon HB 2017 (2017)**
  - Implemented a tiered registration fee based on vehicle MPG
  - 83% higher fee for 40 MPG vehicle compared to a 19 MPG vehicle

- **California SB 1 (2017)**
  - Created a Transportation Improvement Fee ranging from $25 to $175 based on vehicle value
  - Indexed a portion of their vehicle registration fees to the consumer price index
  - Also included indexing provisions for all of the impacted taxes and fees (including the motor fuels tax and a new special registration fee on electric vehicles)
ELECTRIC AND HYBRID VEHICLE FEES

Map Notes

- Grows to $120 in 2021 - (UT)
- Struck down by State Supreme Court in 2017 - (OK)
- Biennial fee - (SC)
- Grows to $97 in 2021 and to $130 in 2022 - (IA)
- Grows to $250 in 2021 - (IL)
- Fees grow by $3 every 4 years, starting in 2023 - (AL)
- Separate fees on hybrids - (AL, AK, CO, IA, ID, IN, KS, MI, MO, MS, ND, OH, OK, SC, UT, WA, WI and WV)
On November 5, 2019, voters in 3 states considered statewide measures related to transportation funding.

- **Colorado (Didn’t Pass):** Proposition CC would have allowed the state to retain excess revenues, with 1/3 of such revenues dedicated to transportation.
- **Maine (Passed):** $105 million bonding measure.
- **Washington (Passed):** Initiative 976 caps vehicle registration fees at $30 and eliminates the .3% sales tax on vehicle purchases.
  - Does not affect the $75 electric vehicle fee enacted in 2019.
  - On November 27, a preliminary injunction was issued and upheld by the State Supreme Court to prevent Initiative 976’s implementation.
QUESTIONS?

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