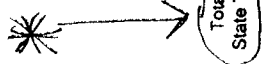


Materials for TRAC Subcommittee on Fuel Tax Structure

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Gasoline* Taxes in the Southeast (Cents per Gallon)

	Taxes per Gallon (cents)			Volume Barrels/Yr ¹ (1,000's)	Percent	Gas Tax Wtd. Avg.
	Base Excise Tax (Gas)	Additional Sales Taxes/ Fees	Total State Tax			
Florida ⁴	4	30.5	34.5	208,744	23.59%	8.14
W. Virginia ¹²	20.5	11.7	32.2	<u>20,217</u>	<u>2.28%</u>	0.74
N. Carolina ⁹	29.9	0.25	30.15	107,871	12.19%	3.68
Kentucky ⁶	21.1	1.4	22.5	54,131	6.12%	1.38
Arkansas ³	21.5	0.3	21.8	34,962	3.95%	0.86
Tennessee ¹⁰	20	1.4	21.4	76,076	8.60%	1.84
Alabama ²	16	4.9	20.9	64,300	7.27%	1.52
Georgia ⁵	7.5	13.4	20.9	121,069	13.68%	2.86
Louisiana ⁷	20	0	20	57,866	6.54%	1.31
Virginia ¹¹	17.5	1.9	19.4	99,021	11.19%	2.17
Mississippi ⁸	18	0.4	18.4	40,534	4.58%	0.84
* S. Carolina	16	0.75	<u>16.75</u>	61,328		
* Southeastern Average (excluding SC) - Weighted based on volume				<u>884,791</u>	100.00%	<u>25.33</u>

* Gasoline only, excluding Diesel and LPG.
Sources: State agencies, Energy Information Administration, Federal Highway Administration and the American Petroleum Institute.

NOTES:

- 1 The average Southeastern gas tax is weighted based on each state's reported energy consumption for 2007. Specifically, consumption of "motor gasoline" (all sectors) measured in thousand barrels (petroleum). Data from Energy Information Administration.
- 2 ALABAMA: 16 cpg base tax plus 3 cpg enviro fees. Estimate also includes county/city levied cpg taxes estimated by API to be 2 cpg.
- 3 ARKANSAS: 21.5 cpg base tax plus 0.2 cpg enviro fee.
- 4 FLORIDA: Base excise tax of 4 cpg plus a wtd avg. 30.5 cpg of local option and other fees, gas gallons Florida Dept. of Revenue and API.
- 5 GEORGIA: Base tax of 7.5 cpg plus an estimated 13.4 cpg of state and local sales taxes. Estimated based on "prepaid state tax rates" published by the GA DOR 7/1/08. LOST range from 1-3% weighted on co. population
- 6 KENTUCKY: Excise tax includes 5 cpg hwy user fee and 10 cpg indexed variable tax based on wholesale price plus 1.4 cpg enviro fee.
- 7 LOUISIANA: Base tax of 20 cpg with no add ons.
- 8 MISSISSIPPI: Base tax of 18 cpg with 0.4 cpg enviro fee. Not included is a 3 cpg "seawall" tax levied in 3 MS counties.
- 9 N. CAROLINA: Base tax of 29.9 cpg (based on combo of 17.5 excise & wholesale prices adjusted periodically) plus 0.25 cpg enviro fee.
- 10 TENNESSEE: Base tax of 20 cpg plus 1.4 cpg of special taxes and enviro fees.
- 11 VIRGINIA: Base tax of 17.5 cpg plus 0.6 cpg enviro fees. Also includes a wtd. Avg. sales tax component of 1.3 cpg based on the 2% sales tax in the NVTD.
- 12 W. VIRGINIA: Base tax of 20.5 cpg plus a variable wholesale tax of 11.7 cpg adjusted periodically.



Motor Fuel Tax

Summary

Statute: 12-28-110 to 12-28-2490

Date Enacted: 1922

Date of last change: 1987

Rate: \$0.1675 per gallon

Current Distribution: \$0.1034 to the State Highway Fund (DOT)
 \$0.0266 to the "C" Fund (Counties)
 (First \$18,000,000 to State Non-Federal Aid Highway Fund
 (DOT); 1% of 13-cents to Dept. of Natural Resources
 \$0.03 to the Strategic Highway Fund (SHIMS) / Econ. Dev.
 \$0.005 to DHEC
 \$0.0025 to Petroleum Inspection Fee to DHEC

Following Attachment: Motor Fuel by Type and Allocation of Revenues

Fiscal Year Collections 1/

FY05	\$503,050,415
FY06	\$511,973,375
FY07	\$533,284,480
FY08	\$534,166,432
FY09	\$514,764,946

1/ Revenues do not include DHEC and Petroleum Inspection Fees

FY10 Fiscal Impacts as a Result of Change in Current Law

Increase State Excise Tax by One Cent ¹	\$34,925,587
Increase State Excise Tax by Five Cents ²	\$174,627,934
Impose 6 percent sales tax on full retail price including taxes and fees ³	\$557,412,366
Impose 6 percent sales tax on full retail price excluding state excise tax ⁴	\$523,883,803
Impose 6 percent sales tax on full retail price excluding state and federal excise tax ⁵	\$485,325,955
Impose 6 percent sales tax on full retail price excluding all taxes (state and federal excise tax and SC environmental fees) ⁶	\$483,754,304

¹Based on estimated 3.49 Billion gallons of gas, diesel and LPG in SC in FY09 x \$0.01

²Based on estimated 3.49 Billion gallons of gas, diesel and LPG in SC in FY09 x \$0.05

³⁻⁶Based on short-term energy price info from US DOE/EIA and gallon figures from SCDOT

³Price includes cpg state excise tax (\$0.16), federal excise tax (\$0.184 gas, \$0.244 diesel, \$0.183 LPG), and state environmental fees (\$0.0075)

⁴Price less the \$0.16 state excise tax but including federal tax and SC environmental fees

⁵Price less state and federal excise tax but including SC environmental fees

⁶Retail price only / excludes all taxes and fees

South Carolina Gasoline, Special Fuel, and Highway-Use User Fee Revenue by Type and Allocation

Distribution of Motor Fuels	FY 1996-97	FY 1997-98	FY 1998-99	FY 1999-00	FY 2000-01	FY 2001-02	FY 2002-03	FY 2003-04	FY 2004-05	FY 2005-06	FY 2006-07	FY 2007-08	FY 2008-09
Total Gasoline/Motor Fuel User Fees (UF)	403,995,784	420,684,109	433,583,204	455,308,122	449,630,752	456,335,008	467,608,145	489,318,641	503,050,415	511,973,375	533,284,480	534,166,432	514,764,946
13-Cent Motor Fuel User Fees, subtotal	328,215,427	343,215,514	352,318,244	369,968,537	365,391,118	370,424,319	379,481,022	398,825,605	408,747,723	416,413,405	433,271,560	434,010,851	418,263,117
Gasoline User Fee (12-28-310) 1/	258,569,063	279,334,758	281,752,126	292,654,446	288,492,135	295,194,710	300,481,652	314,167,826	315,400,436	322,196,773	332,586,524	333,818,074	327,747,770
Special Fuel (SF) User Fee (12-28-310) 1/	68,154,098	59,942,403	70,566,118	77,240,386	76,898,983	75,229,609	78,999,370	84,657,780	93,347,287	94,216,632	100,685,037	100,192,777	90,515,347
Highway-Use User Fee (Old 12-31-410) 1/	1,492,266	3,938,353	0	73,705	0	0	0	0	0	0	0	0	0
3-Cent SHIMS / DOT & Econ. Dev., subtotal	75,780,358	77,468,595	81,274,960	85,339,585	84,239,634	85,910,689	88,127,123	90,493,035	94,302,692	95,559,970	100,012,920	100,155,581	96,501,829
Economic Development (12-28-2910(A))	18,000,000	18,000,000	18,000,000	18,000,000	18,000,000	18,000,000	18,000,000	18,000,000	18,000,000	18,000,000	18,000,000	18,000,000	18,000,000
Residual SHIMS / DOT Revenue (12-28-2750) 2/	57,780,358	59,468,595	63,274,960	67,339,585	66,239,634	67,910,689	70,127,123	72,493,035	76,302,692	77,559,970	82,012,920	82,155,581	78,501,829
Allocation of Motor Fuel Revenues, 16-cent levy													
1% of 13-Cent Gas UF to Natural Resources [12-28-2730(A)]	2,585,691	2,793,348	2,817,521	2,926,544	2,884,921	2,951,947	3,004,817	3,141,678	3,154,004	3,221,968	3,325,865	3,338,181	3,277,478
1-Cent Gasoline UF to General Fund / DOT (12-28-2720) 3/	19,094,162	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
9.34/10.34/13.34-Cent Gas, SF and Highway Use to DOT (12-28-2720) 2/	311,937,796	343,306,134	355,701,372	375,088,792	370,306,201	375,490,025	385,734,991	404,536,228	418,005,986	425,484,255	444,586,819	445,206,980	427,095,854
2.66-Cent Allotment of Gas UF for 'C' funds to Counties [12-28-2740 (A)]	52,378,136	56,584,627	57,074,311	59,282,786	58,439,630	59,893,036	60,868,337	63,640,735	63,890,424	65,267,152	67,371,796	67,621,271	66,391,614
\$18 MM proration of 3-Cent Gas UF [12-28-2910(C)] 4/	18,000,000	18,000,000	18,000,000	18,000,000	18,000,000	18,000,000	18,000,000	18,000,000	18,000,000	18,000,000	18,000,000	18,000,000	18,000,000
Dept. of Commerce (DOC), Econ. Devel. Account	18,000,000	18,000,000	18,000,000	18,000,000	18,000,000	18,000,000	18,000,000	18,000,000	18,000,000	18,000,000	18,000,000	18,000,000	18,000,000
State Non-Federal Aid Highway Fund (NFHF), DOT	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	0
Reference: Total Fuel User Fee Allocations, 16-cent levy	403,995,784	420,684,109	433,583,204	455,308,122	449,630,752	456,335,008	467,608,145	489,318,641	503,050,415	511,973,375	533,284,480	534,166,432	514,764,946
Reference: Total User Fees, less Econ. Dev., 16-cent levy	385,995,784	402,684,109	415,593,204	437,308,122	431,630,752	438,335,008	449,608,145	471,318,641	485,050,415	493,973,375	515,284,480	516,166,432	496,764,946

Notes: Figures are net of refunds issued. Detail may not add to total due to rounding. Registration Fees are excluded. Act 69 of 2003, Section 3 BBB, substituted "user fee" for "tax" and "motor fuel subject to the user fee" for "taxable motor fuel" wherever cited in Chapter 28 of Title 12. This schedule also excludes one-fourth cent a gallon inspection fee as allocated to state General Fund (GF), S. C. Dept. of Agriculture (SCDOA) and/or NFHF within DOT. References: 39-41-120 repealed in Section 4 of Act 136 of 1995, as 12-28-2355(A), Paragraph (C) was added in Section 2 of Act 176 of 2005 for two-year phase-out of GF portion in FYRS '06-'07 with 10% allotted to SCDOA and remainder to NFHF thereafter. This schedule further excludes the one-half cent a gallon Environmental Impact fee under 12-28-2355(B) [and 44-2-60(B)], for which funds are deposited under 44-2-40, and then allotted to Superb accounts within DHEC to regulate clean up of underground petroleum storage tanks.

- 1/ Rate increased from 13-cent to 16-cent per gallon effective May 1, 1996. International Fuel Tax Agreement (IFTA) effective June 1996.
- 2/ Beginning in FY 1993-94, remainder of extra 3-cent tax for SHIMS was allocated to DOT to service bonded debt and match federal highway funds. Sec. 12-28-2725 allocates .25-cent of total 10.34-cent distribution of user fees on gasoline to DOT for mass transit programs.
- 3/ Effective June 1, 1997, General Fund distribution reduced to one-half cent. Effective July 1, 1997, General Fund distribution eliminated and DOT portion raised to 10.34 cents from 9.34 cents.
- 4/ Expenditure as authorized by S.C. Coordinating Council for Economic Development. Includes one-time transfer of \$10 million in FY 1992-93 for special project. Reference: Part II, Sec. 71 of Act 501 of 1992.

(UF): User Fee (SF): Special Fuel (diesel) NA: Not applicable R: Revised

Source: Board of Economic Advisors, as compiled from State Treasurer and Department of Transportation (DOT) year-end reports. 10/02/09/mgd

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**State Gasoline Excise Tax Rates 1/
(As of July 1, 2009)**

State	Year First Adopted	Tax Rate (Cents per Gallon)	Rank	Notes
Alabama	1923	0.16	42	
Alaska	1946	0.00	51	
Arizona	1921	0.18	33	2/ Fuel tax suspended
Arkansas	1921	0.215	21	
California	1923	0.18	33	Sales tax applicable
Colorado	1919	0.22	19	
Connecticut	1921	0.25	10	
Delaware	1923	0.23	16	
District of Columbia		0.20	26	
Florida	1921	0.04	50	Sales tax added to excise
Georgia	1921	0.075	49	Sales tax added to excise
Hawaii	1932	0.17	39	Sales tax applicable
Idaho	1923	0.25	10	
Illinois	1927	0.19	30	Sales tax added to excise
Indiana	1923	0.18	33	Sales tax applicable
Iowa	1925	0.207	24	
Kansas	1925	0.24	13	
Kentucky	1920	0.211	22	
Louisiana	1921	0.20	26	
Maine	1923	0.295	5	
Maryland	1922	0.235	15	
Massachusetts	1929	0.21	23	
Michigan	1925	0.19	30	Sales tax applicable
Minnesota	1925	0.271	7	
Mississippi	1922	0.18	33	
Missouri	1925	0.17	39	
Montana	1921	0.27	8	
Nebraska	1925	0.264	9	
Nevada	1923	0.23	16	
New Hampshire	1923	0.18	33	
New Jersey	1927	0.105	47	
New Mexico	1919	0.17	39	
New York	1929	0.08	48	Sales tax applicable
North Carolina	1921	0.299	4	
North Dakota	1919	0.23	16	
Ohio	1925	0.28	6	
Oklahoma	1923	0.16	42	
Oregon	1919	0.24	13	
Pennsylvania	1921	0.12	46	
Rhode Island	1925	0.32	2	
South Carolina	1922	0.16	42	
South Dakota	1922	0.22	19	
Tennessee	1923	0.20	26	
Texas	1923	0.20	26	
Utah	1923	0.245	12	
Vermont	1923	0.19	30	
Virginia	1923	0.175	38	
Washington	1921	0.375	1	
West Virginia	1923	0.205	25	Sales tax applicable
Wisconsin	1925	0.309	3	
Wyoming	1923	0.13	45	
United States		0.184		

Notes: 1/- State excise tax rate portion only. Does not include any fees, taxes, surcharges, or local taxes.
2/ The state motor fuel excise tax of 8-cents per gallon is suspended from 09/01/08 until 08/31/09.

Sources: Federation of Tax Administrators; Tax Foundation; Commerce Clearinghouse, various reports.

BEA/RWM/08/10/09



State Motor Fuel Tax Rates

(January 1, 2010)

	GASOLINE			DIESEL FUEL			GASOHOL			Notes
	Excise	Fee/Tax	Total	Excise	Fee/Tax	Total	Excise	Fee/Tax	Total	
Alabama /1	16.0	2.0	18.0	19.0		19.0	16.0	2.0	18.0	Inspection fee
Alaska	8.0		8.0	8.0		8.0	8.0		8.0	
Arizona	18.0		18.0	18.0		18.0	18.0		18.0	/3
Arkansas	21.5		21.5	22.5		22.5	21.5		21.5	
California	18.0		18.0	18.0		18.0	18.0		18.0	Sales tax applicable
Colorado	22.0		22.0	20.5		20.5	22.0		22.0	
Connecticut	25.0		25.0	37.0		37.0	25.0		25.0	
Delaware	23.0		23.0	22.0		22.0	23.0		23.0	Plus 0.5% GRT
Florida /2	4.0	12.0	16.0	16.8	12.8	29.6	4.0	12.0	16.0	Sales tax added to excise /2
Georgia	7.5	9.3	16.8	7.5	10.0	17.5	7.5	9.3	16.8	Sales tax added to excise
Hawaii /1	17.0		17.0	17.0		17.0	17.0		17.0	Sales tax applicable
Idaho	25.0	1	26.0	25.0	1	26.0	25.0	1	26.0	Clean water tax /7
Illinois /1	19.0	1.1	20.1	21.5	1.1	22.6	19.0	1.1	20.1	Sales tax add., env. & LUST fee /3
Indiana	18.0		18.0	16.0		16.0	18.0		18.0	Sales tax applicable /3
Iowa	21.0		21.0	22.5		22.5	19.0		19.0	
Kansas	24.0		24.0	26.0		26.0	24.0		24.0	
Kentucky	22.7	1.4	24.1	19.7	1.4	21.1	22.7	1.4	24.1	Environmental fee /4 /3
Louisiana	20.0		20.0	20.0		20.0	20.0		20.0	
Maine	29.5		29.5	30.7		30.7	29.5		29.5	/5
Maryland	23.5		23.5	24.25		24.25	23.5		23.5	
Massachusetts	21.0		21.0	21.0		21.0	21.0		21.0	
Michigan	19.0		19.0	15.0		15.0	19.0		19.0	Sales tax applicable
Minnesota	27.1		27.1	27.1		27.1	27.1		27.1	
Mississippi	18.0	0.4	18.4	18.0	0.4	18.4	18.0	0.4	18.4	Environmental fee
Missouri	17.0	0.55	17.55	17.0	0.55	17.55	17.0	0.55	17.55	Inspection fee
Montana	27.0		27.0	27.75		27.75	27.0		27.0	
Nebraska	26.8	0.9	27.7	26.8	0.3	27.1	26.8	0.9	27.7	Petroleum fee /5
Nevada /1	24.0	0.055	24.055	27.0		27.00	24.0	0.055	24.055	Inspection fee
New Hampshire	18.0	1.625	19.625	18.0	1.625	19.625	18.0	1.625	19.625	Oil discharge cleanup fee
New Jersey	10.5	4.0	14.50	13.5	4.0	17.50	10.5	4.0	14.50	Petroleum fee
New Mexico	17.0	1.875	18.875	21.0	1.875	22.875	17.0	1.875	18.875	Petroleum loading fee
New York	8.0	16.4	24.4	8.0	14.65	22.65	8.0	16.4	24.4	Petroleum Tax, Sales tax appl.
North Carolina	30.3	0.25	30.55	30.3	0.25	30.55	30.3	0.25	30.55	/4 Inspection tax
North Dakota	23.0		23.0	23.0		23.0	23.0		23.0	
Ohio	28.0		28.0	28.0		28.0	28.0		28.0	Plus 3 cents commerial
Oklahoma	16.0	1.0	17.0	13.0	1.0	14.0	16.0	1.0	17.0	Environmental fee
Oregon /1	24.0		24.0	24.0		24.0	24.0		24.0	
Pennsylvania	12.0	19.2	31.2	12.0	26.1	38.1	12.0	19.2	31.2	Oil franchise tax
Rhode Island	30.0	1	31.0	30.0	1	31.0	30.0	1	31.0	LUST tax
South Carolina	16.0		16.0	16.0		16.0	16.0		16.0	
South Dakota /1	22.0		22.0	22.0		22.0	20.0		20.0	
Tennessee /1	20.0	1.4	21.4	17.0	1.4	18.4	20.0	1.4	21.4	Petroleum Tax & Envir. Fee
Texas	20.0		20.0	20.0		20.0	20.0		20.0	
Utah	24.5		24.5	24.5		24.5	24.5		24.5	
Vermont	19.0	5.5	24.5	25.0	4.0	29.0	19.0	5.5	24.5	Cleanup Fee & Trans. Fee
Virginia /1	17.5		17.5	17.5		17.5	17.5		17.5	/6
Washington	37.5		37.5	37.5		37.5	37.5		37.5	0.5% privilege tax
West Virginia	20.5	11.7	32.2	20.5	11.7	32.2	20.5	11.7	32.2	Sales tax added to excise
Wisconsin /5	30.9	2.0	32.9	30.9	2.0	32.9	30.9	2.0	32.9	/5 Petroleum Insp. Fee
Wyoming	13.0	1	14.0	13.0	1	14.0	13.0	1	14.0	License tax
Dist. of Columbia	20.0		20.0	20.0		20.0	20.0		20.0	
Federal	18.3	0.1	18.4	24.3	0.1	24.4	13.0	0.1	13.1	/7 LUST tax

SOURCE: Compiled by FTA from various sources.

/1 Tax rates do not include local option taxes. In AL, 1 - 3 cents; HI, 8.8 to 18.0 cent; IL, 5 cents in Chicago and 6 cents in Cook county (gasoline only); NV, 4.0 to 9.0 cents; OR, 1 to 3 cents; SD and TN, one cent; and VA 2%.

/2 Local taxes for gasoline and gasohol vary from 12.6 cents to 18.6 cents. Plus a 2.07 cent per gallon pollution tax.

/3 Carriers pay an additional surcharge equal to AZ-8 cents, IL-12.3 cents (g) 13.5 cents (d), IN-11 cents, KY-2% (g) 4.7% (d).

/4 Tax rate is based on the average wholesale price and is adjusted quarterly. The actual rates are: KY, 9%; and NC, 17.5¢ + 7%.

/5 Portion of the rate is adjustable based on maintenance costs, sales volume, cost of fuel to state government, or inflation.

/6 Large trucks pay an additional 3.5 cents.

/7 Tax rate is reduced by the percentage of ethanol used in blending (reported rate assumes the max. 10% ethanol).

(C2)

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Motor Fuels Tax Rates

December 15, 2009

Date	Tax Rate
01/01/10 - 06/30/10	30.3
01/01/08 - 12/31/09	29.9
07/01/07 - 12/31/07	29.7
01/01/06 - 06/30/07	29.9
07/01/05 - 12/31/05	27.1
01/01/05 - 06/30/05	26.6
07/01/04 - 12/31/04	24.6
01/01/04 - 06/30/04	24.3
07/01/03 - 12/31/03	24.2
01/01/03 - 06/30/03	23.4
07/01/02 - 12/31/02	22.1
01/01/02 - 06/30/02	24.2
07/01/01 - 12/31/01	24.1
01/01/01 - 06/30/01	24.3
07/01/00 - 12/31/00	23.1
01/01/00 - 06/30/00	22.0
07/01/99 - 12/31/99	21.0
01/01/99 - 06/30/99	21.2
07/01/98 - 12/31/98	21.6
01/01/98 - 06/30/98	22.3
07/01/97 - 12/31/97	22.6
01/01/97 - 06/30/97	22.6
07/01/96 - 12/31/96	21.7
01/01/96 - 06/30/96	22.0
07/01/95 - 12/31/95	21.6
01/01/95 - 06/30/95	21.7
07/01/94 - 12/31/94	21.3
07/01/93 - 06/30/94	22.0
01/01/93 - 06/30/93	22.3
07/01/92 - 12/31/92	21.9
01/01/92 - 06/30/92	22.3*
07/01/91 - 12/31/91	22.6
01/01/91 - 06/30/91	22.3
07/01/90 - 12/31/90	21.5
01/01/90 - 06/30/90	21.7

DI

08/01/89 - 12/31/89	.....	20.9**
07/01/88 - 07/31/89	.....	15.7
01/01/88 - 06/30/88	.....	15.8
07/15/86 - 12/31/87	.....	15.5***
07/01/81 - 07/14/86	.....	12.0
07/01/69 - 06/30/81	.....	9.0
01/01/50 - 06/30/69	.....	7.0
04/01/31 - 12/31/49	.....	6.0
04/01/29 - 03/31/31	.....	5.0
03/04/25 - 03/31/29	.....	4.0
03/01/23 - 03/03/25	.....	3.0
03/01/21 - 02/28/23	.....	1.0

* Effective January 1, 1992 the tax rate was changed to 17.5 cents per gallon plus 7% of the average wholesale price which was then converted to the nearest 1/10 of a cent. The tax rate was subject to change in January and July of each year.

** Effective August 1, 1989 the tax rate was changed to 17 cents per gallon plus 7% of the average wholesale price which was then converted to the nearest 1/10 of a cent. The tax rate was subject to change in January and July of each year.

*** Effective July 15, 1986 the tax rate was changed to 14 cents per gallon plus 3% of the average wholesale price which was then converted to the nearest 1/10 of a cent. The tax rate was subject to change in January and July of each year.

In addition to the road tax, every gallon of motor fuel includes a .25 cents per gallon inspection tax.

Last modified on: 12/15/09 08:20:56 AM.

D2



Georgia Department of Revenue Motor Fuel Tax Bulletin

Prepaid State Tax Rates

Effective: January 1, 2010

November 30, 2009

All licensed motor fuel distributors (suppliers) in the State of Georgia must collect a Prepaid State Tax on all motor fuel sold to any purchaser not licensed as a Georgia distributor. The Prepaid State Tax rate for each fuel type is based upon an indexed retail sales price converted to a cent per gallon rate.

Effective January 1, 2010, the following Prepaid State Tax Rates must be collected by the licensed distributor on all sales of motor fuel sold to any purchaser not licensed as a Georgia distributor. These Prepaid State Tax rates will be effective January 1, 2010 through June 30, 2010, unless subsequently revised by the Department.

The State Excise Tax rate of 7 ½ cents per gallon must also be collected at the time of sale (except for Aviation Gasoline, which is subject to a 1 cent per gallon excise tax).

<u>Motor Fuel Type</u>	<u>3% Prepaid State Tax Rate (State, County & Municipalities Only)</u>	<u>4% Prepaid State Tax Rate (All Other Motor Fuel Sales)</u>
1. Gasoline	\$0.070 Per Gal.	\$0.093 Per Gal.
2. Diesel (Clear/Dyed)	\$0.075 Per Gal.	\$0.100 Per Gal.
3. Aviation Gasoline	\$0.129 Per Gal.	\$0.172 Per Gal.
4. L.P.G.	\$0.052 Per Gal.	\$0.070 Per Gal.
5. Special Fuel (includes CNG)	\$0.069 Per Gal.	\$0.092 Per Gal.

The Prepaid State Tax Rate is published semi-annually and is posted to the Department of Revenue web site in May and November of each year, or more frequently, if a revision is required due to a 25% change in the average selling price of any motor fuel during the tax period. Should you have any questions regarding this bulletin, please contact the Motor Fuel Tax Unit at (404) 417-6712, or visit the Department's Website at www.etax.dor.ga.gov.

(E)



Georgia Department of Revenue Sales Tax Bulletin
Prepaid Local Tax on Motor Fuel Sales
Effective: January 1, 2010

November 30, 2009

All licensed motor fuel distributors (suppliers) in the State of Georgia must generally collect a Prepaid Local Tax on all motor fuel sold for highway use at the time the Prepaid State Tax and the State Excise Tax is collected. The average retail sales price is used to calculate the taxable sales subject to the Prepaid Local Tax.

Effective January 1, 2010, the Prepaid Local average retail sales prices set out below must be collected by Georgia licensed distributors on all sales of motor fuel sold to any purchaser not licensed as a Georgia distributor. The following average retail sales prices will be in effect until June 30, 2010 unless subsequently revised by the Department.

<u>Motor Fuel Type</u>	<u>Average Retail Price</u>
1. Gasoline	\$ 2.337 Per/Gal.
2. Diesel (Clear/Dyed)	\$ 2.503 Per/Gal.
3. Aviation Gasoline	\$ 4.303 Per/Gal.
4. L.P.G.	\$ 1.748 Per/Gal.
5. Special Fuel (includes CNG)	\$ 2.302 Per/Gal.

The Prepaid Local Tax average retail sales prices are published semi-annually and posted to the Department of Revenue web site in May and November of each year, or more frequently, if a revision is required.

FOR MORE INFORMATION

Should you have any questions regarding this bulletin, please visit our Internet site at www.etax.dor.ga.gov or call the Taxpayer Services Division, Motor Fuel Unit, 8:00 a.m. to 4:30 p.m., EST, Monday through Friday, excluding holidays, at (404) 417-6712. Persons with hearing or speech impairments may call our TDD line at (404) 417-4302.

E2

SALES TAX RATE CHART

EFFECTIVE July 1, 2009

Code 000 - State Sales Tax 4% - not included in County Sales Tax Rates below.

<u>CODE</u>	<u>COUNTY</u>	<u>RATE</u>	<u>TYPE</u>	<u>CODE</u>	<u>COUNTY</u>	<u>RATE</u>	<u>TYPE</u>	<u>CODE</u>	<u>COUNTY</u>	<u>RATE</u>	<u>TYPE</u>
001	Appling	3	LSE	054	Evans	3	LSE	107	Newton	3	LSE
002	Atkinson	3	LSE	055	Fannin	3	LSE	108	Oconee	3	LSE
003	Bacon	3	LSE	056	Fayette	3	LSE	109	Oglethorpe	3	LSE
004	Baker	3	LSE	057	Floyd	3	LSE	110	Paulding	3	LSE
005	Baldwin	3	LSE	058	Forsyth	3	LSE	111	Peach	3	LSE
006	Banks	3	LSE	059	Franklin	3	LSE	112	Pickens	3	LSE
007	Barrow	3	LSE	060	Fulton	3	ML E	113	Pierce	3	LSE
008	Bartow	3	LSE	061	Gilmer	3	LSE	114	Pike	3	LSE
009	Ben Hill	3	LSE	062	Glascock	3	LSE	115	Polk	3	LSE
010	Berrien	3	LSE	063	Glynn	3	LSE	116	Pulaski	3	LSE
011	Bibb	2	L E	064	Gordon	3	LSE	117	Putnam	3	LSE
012	Bleckley	3	LSE	065	Grady	3	LSE	118	Quitman	3	LSE
013	Brantley	3	LSE	066	Greene	3	LSE	119	Rabun	3	LSE
014	Brooks	3	LSE	067	Gwinnett	2	SE	120	Randolph	3	LSE
015	Bryan	3	LSE	068	Habersham	3	LSE	121	Richmond	3	LSE
016	Bulloch	3	LSE	069	Hall	3	LSE	122	Rockdale	3	SEH
017	Burke	2	LS	070	Hancock	3	LSE	123	Schley	3	LSE
018	Butts	3	LSE	071	Haralson	3	LSE	124	Screven	3	LSE
019	Calhoun	3	LSE	072	Harris	3	LSE	125	Seminole	3	LSE
020	Camden	3	LSE	073	Hart	3	LSE	126	Spalding	3	LSE
021	Candler	3	LSE	074	Heard	3	LSE	127	Stephens	3	LSE
022	Carroll	3	LSE	075	Henry	3	LSE	128	Stewart	3	LSE
023	Catoosa	3	LSE	076	Houston	3	LSE	129	Sumter	3	LSE
024	Charlton	3	LSE	077	Irwin	3	LSE	130	Talbot	3	LSE
025	Chatham	3	LSE	078	Jackson	3	LSE	131	Taliaferro	3	LSE
026	Chattahoochee	3	LSE	079	Jasper	3	LSE	132	Tattnall	3	LSE
027	Chattooga	3	LSE	080	Jeff Davis	3	LSE	133	Taylor	3	LSE
028	Cherokee	2	SE	081	Jefferson	3	LSE	134	Telfair	3	LSE
029	Clarke	3	LSE	082	Jenkins	3	LSE	135	Terrell	3	LSE
030	Clay	3	LSE	083	Johnson	3	LSE	136	Thomas	3	LSE
031	Clayton	3	LSE	084	Jones	3	LSE	137	Tift	3	LSE
032	Clinch	3	LSE	085	Lamar	3	LSE	138	Toombs	3	LSE
033	Cobb	2	SE	086	Lanier	3	LSE	139	Towns	3	L E O
034	Coffee	3	LSE	087	Laurens	3	LSE	140	Treutlen	3	LSE
035	Colquitt	3	LSE	088	Lee	3	LSE	141	Troup	3	LSE
036	Columbia	3	LSE	089	Liberty	3	LSE	142	Turner	3	LSE
037	Cook	3	LSE	090	Lincoln	3	LSE	143	Twiggs	3	LSE
038	Coweta	3	LSE	091	Long	3	LSE	144	Union	3	LSE
039	Crawford	3	LSE	092	Lowndes	3	LSE	145	Upson	3	LSE
040	Crisp	3	LSE	093	Lumpkin	3	LSE	146	Walker	3	LSE
041	Dade	3	LSE	094	Macon	3	LSE	147	Walton	3	LSE
042	Dawson	3	LSE	095	Madison	3	LSE	148	Ware	3	LSE
043	Decatur	3	LSE	096	Marion	3	LSE	149	Warren	3	LSE
044	DeKalb	3	M EH	097	McDuffie	3	LSE	150	Washington	3	LSE
045	Dodge	3	LSE	098	McIntosh	3	LSE	151	Wayne	3	LSE
046	Dooly	3	LSE	099	Meriwether	3	LSE	152	Webster	3	LSE
047	Dougherty	3	LSE	100	Miller	3	LSE	153	Wheeler	2	L E
048	Douglas	2	L E	101	Mitchell	3	LSE	154	White	3	LSE
049	Early	3	LSE	102	Monroe	3	LSE	155	Whitfield	3	LSE
050	Echols	3	LSE	103	Montgomery	3	LSE	156	Wilcox	3	LSE
051	Effingham	3	LSE	104	Morgan	3	LSE	157	Wilkes	3	LSE
052	Elbert	3	LSE	105	Murray	3	LSE	158	Wilkinson	3	LSE
053	Emanuel	3	LSE	106	Muscogee	2	L O	159	Worth	3	LSE

Food Tax is equal to county tax rate with exception of: DeKalb and Rockdale HOST, Taliaferro and Webster LOST, Muscogee OTHER LOST which are exempt from food tax.

SEE FRONT PAGE "IMPORTANT BULLETINS" FOR NEXT QUARTER'S RATE CHANGES OR
FOR THE MOST UP-TO-DATE CHANGES GO TO: <http://www.etax.dor.ga.gov/salestax/index.aspx>

M = MARTA L = LOCAL OPTION S = SPECIAL PURPOSE E = EDUCATIONAL H = HOMESTEAD O = OTHER LOCAL OPTION



Testimony to the
South Carolina Tax Realignment Commission on
Sales Tax Exemptions, Exclusions, and Caps

By
Holley H. Ulbrich, Ph.D.

ALUMNI DISTINGUISHED PROFESSOR EMERITA OF ECONOMICS, CLEMSON UNIVERSITY
SENIOR SCHOLAR, STROM THURMOND INSTITUTE OF GOVERNMENT AND PUBLIC AFFAIRS

November 12, 2009

I am Holley Ulbrich, an economist at the Strom Thurmond Institute of Government and Public Affairs at Clemson University. I commend your efforts to broaden the base of our state sales tax, which has not kept up with changes in what consumers buy. As a result, growth of retail sales tax revenue continues to lag behind the growth of gross retail sales.

As we rely more heavily on the sales tax not only for the General Fund but also for property tax relief and local governments in 29 counties, this gap will make it increasingly difficult to generate the resources we need to fund even our most basic public services. Most economists strongly recommend that the major taxes have a broad base with few exemptions. Such a tax provides a more dependable source of revenue and distributes the burden more fairly among households and firms.

I strongly recommend extending the sales tax to more services, but I will address that issue on the appropriate future date. I also strongly recommend that we index excise taxes for inflation, but again, today is probably not the appropriate occasion, although you could consider combining an excise tax on gasoline with a sales tax, as Georgia does. I'm sure your staff has called that option to your attention.

For today, I have three specific recommendations to offer. The first recommendation is to revise the current \$300 sales tax cap on personal vehicles, commercial vehicles, aircraft, boats, and motorcycles. This exemption was first adopted in response to a similar cap in North Carolina. North Carolina has since changed its law and assesses a three percent tax each time a title is transferred, with a \$1,000 cap only on commercial vehicles.

In addition to the revenue loss, the cap is also regressive. The tax on a used vehicle costing \$6,000 is the same as on a luxury vehicle costing \$60,000 or a yacht costing \$600,000. Ten years ago, we realized that the property tax burden on personal vehicles was excessive relative to other forms of property and relative to other states in the region, and a reduced assessment rate was phased in. That would have been the right time to address the sales tax cap, but better late than never.

(F)

We realize that the auto industry has fallen on hard times, and we do not wish to see them suffer any further erosion of sales. However, the cap can be modified gradually in two ways. First, the cap could be completely removed on boats and airplanes. It serves no discernable public purpose. Second, the cap on cars could be raised to \$1,000, which is equivalent to a six percent tax on a vehicle costing \$16,667—about the average price of a new basic vehicle. Or third, the cap could be converted to a percentage equivalent such as three percent, which would raise more revenue and also distribute the burden more fairly. At three percent, the tax on that vehicle costing \$16,667 would be \$500. That step would put us back in line with our neighbors in North Carolina.

Second, the admissions tax remained at five percent when the sales tax was raised to six percent. There is no reason to favor admissions over other taxable purchases. Raising the rate to six percent will also make the sales tax less regressive, because spending on admissions rises with income.

Finally, I have always been ambivalent about the food tax exemption. Those at the bottom of the income scale who use food stamps pay no sales tax on those purchases. The working and unemployed poor who may not receive food stamps probably need some relief, but that leaves at least two-thirds of the state's population who could well afford to pay sales tax on food. Other states have found ways to relieve the sales tax burden on food for low income households, either with income tax rebates or a lower rate on food than other purchases. Including food in the tax base also makes the revenue stream more stable.

There are many more changes that could be considered, but I think that in my limited time these are the most urgent. Thank you for your hard work and your patient attention, and for giving interested citizens and tax professionals the opportunity to provide input.



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Secretary of Transportation
South Carolina Department of Transportation

October 29, 2009

Commissioners, South Carolina Tax Realignment Commission
Attention: Mr. Craig Parks
Senate Finance Committee
Post Office Box 142
Columbia, South Carolina 29202-0142

Dear Commissioners:

Thank you for allowing me to present to the Commission yesterday. I commend you for your service and am encouraged by your group's efforts to thoroughly examine the tax structure in South Carolina.

As I mentioned in my comments, there is a distinct disconnect in highway funding in South Carolina. As cars become more energy efficient and alternative vehicles become more popular, highway revenues are declining and we have less money to perform necessary maintenance. I look forward to hearing what solutions the Commission has to offer and encourage you to contact me if I can be of any assistance as you prepare your report.

As promised, I am enclosing a summary of my presentation. I am also providing a history of motor fuel tax in South Carolina and the most recent tax rates across the nation. Thank you again for your time and service. I look forward to receiving your report.

Sincerely,

H. B. Limehouse, Jr.
Secretary of Transportation

HBL/kml
Enclosures

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SC Taxation Realignment Commission October 28, 2009

- SCDOT's primary source of state revenue is a 16 cents motor fuel user fee.
- Across the Southeast region, 51% of state source highway funding is derived from sources other than fuel user fees. In South Carolina, close to 100% comes from the user fee on motor fuel.
- The motor user fee was last increased in 1987 and has never been adjusted for inflation. It is among the lowest in the nation.
- The only way to increase revenue is to put more cars on the road and burn more gallons of motor fuel. This puts a greater strain on the highways and requires more maintenance.
- Motor fuel revenues have been declining for the past two years. SC is down approximately 4%. This same trend is happening on the Federal level.
- National policy is in conflict with the highway funding structure. Congress is encouraging the use of alternative fuels and increasing emission standards. Since both the Federal government and the state government here in South Carolina pay for highways from fuel taxes, this green initiative ultimately hurts our revenue.
- SCDOT also pays sales tax on the goods that we purchase. The Agency is even responsible for the motor fuel user fee when we put gasoline and diesel in state vehicles.

Remove sales tax exemption on motor fuel

- At least 8 states, including Georgia and North Carolina, have a sales tax or similar ad valorem tax based on the price of motor fuel.
- According to the BEA's report, the removal of the exemption in SC would generate approximately \$500 M annually.

Sales tax AND motor fuel user fee combination

- Some states, like NC, charge an ad valorem tax AND a motor fuel user fee on gasoline.
- NC's tax is 17 cents, plus a 7% ad valorem tax. The sales tax is collected from suppliers, is based on the published wholesale price of fuel, and is adjusted every 6 months.
- NC's total tax cannot go below 30 cents.
- In a model like North Carolina's, SC would keep the 16 cents motor fuel user fee in place and add an additional 6% tax. Depending on the price of fuel, SCDOT estimates that this could generate \$775 M (or an additional \$348 M) for highways annually. A floor similar to NC's is essential to allow revenues to remain consistent for planning purposes.
- If the desire was to remain revenue neutral at the time of implementation, SC could reduce the motor fuel user fee from 16 cents to 10.5 cents and add a 3% tax.

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State General Fund

- According to the Federal Highway Administration, 32 states currently place general fund revenues directly into the state highway fund.
- SCDOT receives approximately \$116,000 from the General Fund. This money is for mass transit and commercial motor vehicles rest areas.

User Fee on Automotive Parts

- Some states charge a user fee for automotive parts such as tires, batteries or motor oil.
- Rather than charge per item, Utah determined that 17% of their state sales tax was derived from the sale of vehicles and automotive parts.
- Their General Assembly then dedicated 8.3% of the state sales tax to their highway fund.

Sales Tax on Vehicles

- Many states dedicate the sales tax on vehicles to the highway fund.
- In SC, the sales tax on vehicles, which is capped at \$300, was expected to generate approximately \$94 M in FY 2008-2009.
- According to the BEA, if the \$300 cap was replaced with a 3% sales tax, an estimated \$123.5 M (or an additional \$29 M) would have been collected in FY 2008-2009.
- If the cap was replaced by a 5% sales tax, an estimated \$205.9 M (or an additional \$111 M) would have been collected.
- In NC, there is a 3% Highway Use Tax on vehicles in lieu of a state sales tax. There is no cap on personal vehicles. Revenue collected from the tax goes towards the North Carolina Highway Trust Fund, with a portion diverted to the General Fund. The portion diverted to the General Fund serves to hold education harmless, since they were the recipients of a portion of this funding prior to 1989.
- Virginia charges a 3% Motor Vehicle Sales and Use Tax on vehicles. There is no cap. These funds are dedicated to the General Fund but a portion of the General Fund in Virginia is dedicated to highways.
- West Virginia charges a 5% sales tax on vehicles with no cap. These funds are directed to the State Road Fund.

Fees on Rental Cars

- States like Virginia and Florida both charge a daily user fee on rental cars and use this money for highway maintenance.
- The burden of this tax is paid mainly by out of state visitors.

Alternative Fuel Vehicles

- Alternative fuel vehicles are becoming increasingly popular in the US.
- There are many types of alternative fuel autos, most of which do not use gasoline and therefore the drivers do not pay for using the roads.

S.C. FUEL TAX HISTORY RECAP
(ALL RATES ARE *PER GALLON*)

Act ___ of 1913	½ cent (Gen. Fund) <ul style="list-style-type: none">■ To Department of Agriculture and Commerce
Act 494 of 1922	2 cents (Hwy. Fund) + ⅛ cent (Gen. Fund) <ul style="list-style-type: none">■ 1 cent to the General Fund■ 1 cent to the counties
Act 731 of 1924	3 cents (Hwy. Fund) + ⅛ cent (Gen. Fund) <p style="text-align: center;">Until 12/31/24</p> <ul style="list-style-type: none">■ 1 cent to the counties■ 1 cent to the General Fund■ 1 cent to the Highway Department <p style="text-align: center;">After 12/31/24</p> <ul style="list-style-type: none">■ 3 cents to the Highway Department
Act 34 of 1925	5 cents (Hwy. Fund) + ⅛ cent (Gen. Fund) <ul style="list-style-type: none">■ 2 cents to the counties■ 3 cents to the Highway Department
Act 102 of 1929	6 cents (Hwy. Fund) + ⅛ cent (Gen. Fund) <ul style="list-style-type: none">■ 1 cent to the counties■ 5 cents to the Highway Department
Act 1053 of 1950 (section 96)	7 cents (Hwy. Fund) + ⅛ cent (Gen. Fund) <ul style="list-style-type: none">■ 1 cent to the counties (Aid to Subs)■ 5 cents to the Highway Department■ 1 cent to the "C" fund*
Act 140 of 1959	7 cents (Hwy. Fund) + ¼ cent (Gen. Fund) <ul style="list-style-type: none">■ ⅛ cent to General Fund for Agriculture increased to ½ cent to General Fund for Agriculture (Fuel Pump Inspection Program)
Act 1575 of 1972	8 cents (Hwy. Fund) + ¼ cent (Gen. Fund) <ul style="list-style-type: none">■ 1 cent to the counties (Aid to Subs)■ 5.67 cents to the Highway Department■ 1.33 cents to the "C" fund*
Act 141 of 1977	9 cents (Hwy. Fund) + ¼ cent (Gen. Fund) <ul style="list-style-type: none">■ 1 cent to the counties (Aid to Subs)■ 6.34 cents to the Highway Department■ 1.66 cents to the "C" fund*

- Act 197 of 1979
- 10 cents (Hwy. Fund) + ¼ cent (Gen. Fund)**
- 1 cent to the counties (Aid to Subs)
 - 7.09 cents to the SCDHPT
 - 1.91 cents to the “C” fund*
- Act 506 of 1980
- 11 cents (Hwy. Fund) + ¼ cent (Gen. Fund)**
- 1 cent to the counties (Aid to Subs)
 - 7.84 cents to the SCDHPT
 - 2.16 cents to the “C” fund*
- Act 177 of 1981
- 13 cents (Hwy. Fund) + ¼ cent (Gen. Fund)**
- 1 cent to the counties (Aid to Subs)
 - 9.34 cents to the SCDHPT
 - 2.66 cents to the “C” fund*
- Act 197 of 1987
- 16 cents (Hwy. Fund) + ¼ cent (Gen. Fund)**
- 1 cent to the counties (Aid to Subs)
 - 9.34 cents to the SCDHPT
 - 2.66 cents to the “C” fund*
 - 3 cents to the SHIMS fund
 - \$10 million transfer to Commerce
- Act 473 of 1990
- 16 cents (Hwy. Fund) + ¼ cent (Gen. Fund) + ½ cent SUPERB Fund**
- ½ cent added for DHEC’s SUPERB Fund to clean up leaking underground storage tanks that existed prior to the 1988 implementation of federal guidelines/penalties governing underground storage tanks.
- Act 171 of 1991 (Part II Section 22)
- 15 cents (Hwy. Fund) + 1¼ cent (Gen. Fund) + ½ cent SUPERB Fund**
- 1 cent to the state’s general fund (Aid to Subdivisions formula was revised and 1 cent fuel tax became part of state general revenue)
 - 9.34 cents to the SCDHPT
 - 2.66 cents to the “C” fund*
 - 3 cents to the SHIMS fund
 - Increase transfer to Commerce from \$10 million to \$15 million
- Act 181 of 1993
- 15 cents (Hwy. Fund) + 1¼ cent (Gen. Fund) + ½ cent SUPERB Fund**
- 1 cent to the state’s general fund
 - 12.34 cents to the SCDOT (less transfers to DNR and Commerce)
 - 2.66 cents to the “C” fund*

- IFTA Program placed under DMV/DPS with funding from Highway Fund

Act 164 of 1993 (Part II Section 15)

15 cents (Hwy. Fund) + 1¼ cent (Gen. Fund) + ½ cent SUPERB Fund

- Increase the distribution to DNR from one-half percent of the revenue from 13 cents of the gasoline tax to one percent of the revenue from 13 cents of the gasoline tax.

(Part II Section 23)

- \$9.5 million transferred from Highway Fund to C-Fund (annual requirement)

(Part II Section 49)

- Increased transfer to Commerce from \$15 million to \$18 million

Act 497 of 1994 (Part II Section 34)

15 cents (Hwy. Fund) + 1¼ cent (Gen. Fund) + ½ cent SUPERB Fund

- Created Code Section 12-27-12 prohibiting the use of Highway Fund dollars for non-transportation purposes.

Act 136 of 1995

15 cents (Hwy. Fund) + 1¼ cent (Gen. Fund) + ½ cent SUPERB Fund

- Effective May 1, 1996. Motor fuel tax point of payment transferred to terminal (wholesale)
- This Act inadvertently deleted Code Section 12-27-12, which had been enacted the previous year to protect the Highway Fund from diversions to the General Fund.

Act 145 (Part II Section 49)

15 cents (Hwy. Fund) + 1¼ cent (Gen. Fund) + ½ cent SUPERB Fund

Interest from the Highway Fund, Economic Development Account and C-Fund to be placed into the Highway Fund (previously went to the General Fund)

Act 458 of 1996 (Part II Section 5A)

16 cents (Hwy. Fund) + ¼ cent (Gen. Fund) + ½ cent SUPERB Fund

Beginning June 1997:

- .5 cent to the state's general fund (Previously one cent. This is the Act that transferred the one cent back to SCDOT over a two-year period)
- 12.84 cents to the SCDOT (less transfers to DNR and Commerce)
- 2.66 cents* to the "C" fund
- \$9.5 million from Highway Fund to C-Fund

Beginning July 1, 1997:

16 cents

- 13.34 cents to the SCDOT
(less transfers to DNR and Commerce)
- 2.66 cents* to the "C" fund
- \$9.5 million from Highway Fund to C-Fund

Act 458 of 1996 (Part II Section 55)

16 cents (Hwy. Fund) + ¼ cent (Gen. Fund) + ½ cent SUPERB Fund

- .25 cents must be used by SCDOT for Mass Transit

Act 176 of 2005

July 1, 2005:

16.25 cents + ½ cent SUPERB Fund

- ".25 cent Inspection Fee" transferred to Highway Fund, except 1/10th to Dept of Agriculture
- 13.59 cents to SCDOT
(less transfers to DNR and Dept. of Agriculture – This Act deleted the transfer to Commerce with a two-year phase-in.)
- 2.66 cents* to the "C" fund
- \$9.5 million to C-Fund
- This Act did away with SCDOT contribution to the Statewide Cost Allocation Plan, a \$4 million transfer to the General Fund

November 12, 2009

TO: TRAC
FROM: Rick Todd, South Carolina Trucking Association
RE: **Fuel Taxes: Local...Sales...Indexed – Analysis of Sister States**

Fuel prices, we have learned, will vary, sometimes sharply. Spikes wreak havoc with businesses that own commercial vehicles. Fluctuations in the price of fuels also puts stress on tax mechanisms that tie the rate of the tax to the price of fuel; that is, state and local sales taxes, and schemes to index fuel tax rates to any index that is affected by price.

For governments, the stress from price increases is not administrative – the mechanisms still operate as they were designed to – it is entirely political. Several states have repealed or suspended their indexing systems, others have suspended increases that would have occurred by reason of the sales taxation of fuel. At least one has invited its local governments to cap their sales taxes. Voters in some places have defeated efforts to establish local fuel taxes or to raise the rates.

*We support an increase in the cents-per-gallon tax on gasoline and diesel fuel, not the addition of variable taxes as would be imposed on the sales price, locally, or through an index – **provided the money is dedicated to highway system improvements**. The cost to the state of collecting the per-gallon fuels tax is probably between 2- 3% (the lowest of all highway-use taxes levied anywhere). **Exhibit D** shows Diesel Fuel taxes/rates amongst our sister states.*

What some of our sister states – who use **various fuel-tax mechanisms** – do:

LOCAL OPTION Fuel Taxes

Local fuel taxes are relatively uncommon, as most state governments are jealous of their own revenue sources, and, evidently they've determined that they need not share their fuel tax base with local government. Another negative view of local fuel taxes is that they are also **subject to easy avoidance by anyone who can buy fuel outside the local jurisdiction, and to an unknown but possibly high degree of evasion**. **Sixteen states authorize some form of local fuel taxes, but they are in effect in only nine** of these, all of which have had at least some local taxes in place for more than a decade. The status of these levies in our sister states is as follows:

Alabama. Local fuel taxes have been common in AL for many years. Only a few are collected by the state revenue department; most are locally administered and collected. Counties, municipalities, and police districts may impose these taxes by ordinance; there seems to be **no limit** placed on the rate of a tax. The proceeds are **not earmarked for transportation**. Some 25 counties levy fuel taxes, most are on *diesel* as well as *gasoline*, and the rates range from 1 cent a gallon to 5 cents. About 60 AL cities and towns also levy taxes of from 0.25 to 4 cents a gallon; where a police district imposes the tax, the rate is half that imposed by the town the district surrounds.

Florida. There is a **complex system** of local option fuel taxes for FL counties. (a) By popular vote or by a supermajority of the governing body, a county may impose a 1 cent a gallon tax on *gasoline*. 34 counties have done so. All counties in the state must impose this penny tax on *diesel* fuel. (b) Counties may also impose up to 11 cents additional tax on *gasoline*, and must impose a tax of 6 cents on diesel. 66 counties have adopted *gasoline* taxes of from 3 to 11 cents under this provision. (c) Each county must impose an additional tax on *gasoline* at two-thirds the sum of the preceding two taxes, up to 4.7 cents, and a 4.7 cent tax on *diesel*. All these taxes are earmarked for transportation, including transit, except that if all a county's transportation needs are funded, it may use a large portion of the revenues for other capital investments. **Fuel tax evasion** was a serious problem when these taxes were collected locally; for the last twenty years or so all have been collected by the state department of revenue.

Mississippi. The **three MS counties** that border the Gulf of Mexico all levy a 3 cent *gasoline* tax (the highest rate authorized by state statute) to provide for the maintenance of local seawalls and the roads they protect. The tax is collected by the state tax commission.

Tennessee. State law allows a county, city, or special district **that operates a public transit system** to impose a *gasoline* tax of 1 cent a gallon to fund it. Voter approval is required. The state department of revenue is to collect any such tax. **None has actually been imposed.**

LOCAL Option SALES Taxes on FUEL

Local option sales taxes, after the property tax and local business license fees, are probably the most widespread local revenue source today. A majority of the states permit at least some local governments to impose sales taxes, and thousands of them around the country do so. **Such taxes do not often extend to motor fuel**, however. Most states restrict their localities to taxing the same sales as the state does itself, and relatively few states include motor fuel in their sales tax bases (see the next section). In some states where constitution and laws do not actually bar local sales taxation of fuel, localities are strongly encouraged to have the state collect their taxes. **Since most of these states exempt motor fuel, the effect is a local exemption as well.** In other states, constitutional or statutory provisions require the earmarking of taxes on motor fuel for transportation purposes. Since sales taxes are general fund taxes for the most part, this effectively prevents the local sales taxation of fuels.

Although states that impose sales taxes on motor fuel also impose use taxes on the consumption of fuel (at least *diesel* fuel, the use taxes on which can be and are administered through IFTA), there are no local counterparts for the use of fuel on a retail scale. Because of this, local sales taxes do not have to be reduced to a cents-per-gallon rate but can be imposed, as a normal sales tax, at a percentage of the selling price charged purchasers at the pump.

Local governments in six states impose or are authorized to impose local sales taxes on fuel, and five of them actually levy such taxes. Georgia and Virginia's are outlined:

Georgia. GA authorizes three types of local sales tax - general purpose county and city taxes, educational taxes, and, in the Atlanta area, a transportation district (MARTA) tax. Each one is imposed at a rate of 1%, and many localities impose all three. Each of GA's 200-some counties, and a thousand or more cities and towns, have sales taxes, all of which extend to sales of motor fuel. The imposition of a tax must be approved by local voters. The taxes are state-collected. Only the proceeds from the MARTA tax are dedicated specifically to transportation.

Virginia. State law imposes a 2% fuel sales tax on fuel sold in any city or county which is a **member of a transit district** supporting a commuter rail program. This includes the five VA counties and the various independent cities in the Washington, DC, area. The tax is collected by the state. **Local property taxes are to be reduced** by each locality in an amount equal to the contribution which, in the absence of the sales tax, it would have made to support bus and commuter rail services.

STATE SALES Taxes on Motor FUEL

Forty-five states levy broad-based sales and use taxes, **but only nine states extend the tax to sales of highway motor fuels.** The others have reserved highway fuel for the fuel tax, which is so often earmarked for transportation or specifically for highway purposes, sometimes by a state's constitution. The nine states, and the rates of their fuel sales taxes, are:

CA 7.25%	HI 4%	MI 6%
FL 6%	IL 6.25%	NY 8%
GA 4%	IN 5%	WV 5%

These nine states have all imposed sales tax on motor fuel at these same rates for more than 25 years, and seem to encounter little administrative difficulty in doing so. One problem arose years ago in applying the sales tax as an element of the fuel use tax, which all of these states except HI and IN now do. So that a sales tax can be accommodated on the **IFTA report form, it is necessary to convert the percentage rate to cents per**

gallon. States generally do this by a periodic survey of retail prices at truck stops and service stations either statewide or in the area of the state capital. In the past, some states needed to adjust the gallonage tax quarterly, some annually, a couple rarely if ever did so.

With the recent large **increases in the price of fuel**, adjustments have become larger and more frequent, and there have been **calls for the suspension of the sales tax** in at least GA, IL, and IN. The governor of GA suspended for 2008 an increase that would otherwise have gone into effect by reason of the sales tax on fuel.

Another difficulty concerning IFTA that has appeared with significant fluctuations in fuel prices – either up or down – stems from the **lag between when the IFTA adjustment may be made and when the retail prices on which it is based** were actually in effect. Georgia, for example, changes its IFTA rate pursuant to sales tax changes only twice a year. **Any large discrepancy (in either direction) between current retail prices and the cents-per-gallon sales tax component of the IFTA tax rate will create winners and losers among interstate carriers, depending on whether they have over- or under-purchased fuel in the state.**

Since sales tax is imposed at the retail level, the sales tax base for motor fuels generally includes federal fuel taxes and state gasoline taxes, which are paid at the wholesale level. Where state *diesel* taxes are imposed at the retail level (which is becoming uncommon), these would not normally be included in the sales tax base, but wholesale *diesel* taxes normally would be.

Although many states have sales tax breaks for motor carriers, only IN's sales tax exemption extends to an exemption from the sales tax imposed on motor fuel. Notes on sister states' procedures follow:

Florida. The FL sales tax on fuel is collected as a fuel tax, and the proceeds are transportation monies.

Georgia. 3% of the sales tax rate on motor fuel is considered to be an additional motor fuel tax, with the proceeds earmarked for transportation. The remaining 1% of the 4% total rate represents a general sales tax levy. Both are collected through IFTA. Prior to its entry into IFTA in 1996, GA required interstate motor carriers to use their own average fleet cost of fuel in calculating the sales tax portion of the fuel use tax. This was burdensome for much of the industry. As noted above, the governor of Georgia suspended for 2008 the increase in the fuel tax rates that would otherwise have been required by the sales tax.

INDEXED State FUEL Taxes

The notion of indexing a state's fuel tax attracted serious interest when, in the 1970s, greatly increased fuel prices led first to fuel conservation measures and then to a leveling off of state fuel tax revenues. Legislators faced with the prospect of having to raise fuel tax rates substantially every couple of years felt there ought to be a more comfortable way of ensuring adequate money in the highway fund. A number of states considered, and several adopted, means of indexing the rate of their motor fuels taxes to an indicator, generally fuel prices, that seemed to be moving upward at an appropriate pace.

There turned out to be a number of problems with this approach. Fuel prices proved to be at once more volatile and less prone to increase over the long term than the indexers had initially expected. Sharp swings in prices and then rates, either up or down, led to **calls from taxpayers and transportation departments for rate ceilings and floors, or at least for limits on how much a tax rate could fluctuate at one time.** There were also calls for legislatures to resume the rate-setting functions they had abdicated. Finally, there were disputes over how the index specified in a given state's law should be interpreted and measured fairly.

Soon after 1980, with fuel prices generally stabilized, and the political and practical **problems with indexing fuel tax rates, at least according only to price, having become apparent, interest in indexing faded.** A few states, including Washington, the first state that indexed, abandoned the practice altogether. Others had by this time found a floor or a ceiling against which their indexed rate could rest comfortably, and no longer caused political trouble. **(Several states in this category eventually repealed indexing officially and adopted the per gallon rate at which indexing had left them.)** Yet others looked for more sensitive indices than price alone.

Most recently, the very large increases in the price of fuel have embarrassed some states that still indexed their taxes. **Wisconsin has repealed its indexing feature.** That state employed a road-cost index,

which, over 20 years of indexing, resulted in estimated increases in state fuel tax revenues of some \$800 million. **North Carolina has once or twice recently suspended temporarily small increases** that would otherwise have taken effect. Indexes that rely on fuel prices or the general level of prices can be criticized on grounds that they themselves involve a certain amount of feedback from the fuel tax, and can result in higher tax increases than are strictly warranted.

Only four states continue to index their fuel tax rates today (although indexing continues to be proposed in some legislatures, and currently on the federal level). States that impose sales tax on motor fuel and earmark the proceeds for transportation have to that extent also indexed their fuel taxes to price - see the preceding section. In our region, only North Carolina and Kentucky do:

Kentucky. The tax on gasoline and diesel fuel is set by statute at 9% of the **average price** of fuel in KY, as determined quarterly by the state revenue cabinet. **Despite the indexing of the rate, the tax did not change for some 20 years** until the recent very large price increases.

North Carolina. Most of the tax rate - 17.5 cents of it - is fixed; the remainder is **indexed at 7% of the wholesale sale** of fuel, with a minimum of 3.5 cents. The rate is reviewed every 6 months, and has changed from time to time within a narrow range. **But it currently has a ceiling – and a base – of 29.9, which argues for a fiat cents-per-gallon rate.**

3 Old Wholesale Petroleum Taxes

It should be noted that a few states long ago adopted taxes on the petroleum industry that are based on a percentage of the wholesale price of crude oil or petroleum products and that the industry passes on to their customers in the price of gasoline and diesel fuel. Since the tax depends on the price, these states might or might not be considered to have indexed a portion of their fuel tax rates. They are: Connecticut (which retains the tax only on *gasoline, not on diesel*), New York, and Pennsylvania. NY and PA collect these taxes through IFTA as well.

NOTE: IFTA: **International Fuel Tax Agreement** – a federally mandated, base-state fuel tax administration system for the collection and distribution of diesel fuel taxes paid by trucking operations.

IFTA assesses only fuel taxes collected statewide, on a uniform basis, and does not generally include local taxes. (See Exhibit D: Sister States' Diesel IFTA and "pump" rates.)

EXHIBIT D

2009 State Net Diesel Fuel Tax

State	Net Diesel Per Gallon Total	
Florida	IFTA = 31.87¢	Pump = 33¢
<ul style="list-style-type: none"> State sales tax is 6% Uniform local tax Clean-up fee <p><i>Explanation: The IFTA rate includes the state fuel tax rate per se, which is 4 cents; the sales tax rate, which is determined once a year by the state DOT according to the increase in the CPI for the US - this is 11.6 cents this year; the uniform local option tax of 13.4 cents; and environmental fees of 2.07 cents. IFTA total rate 31.87 cents for 2008. At the pump, the tax doesn't vary with the price of fuel, since the sales tax, adjusted once a year, depends on inflation rather than actual price, and the local sales taxes aren't imposed on motor fuels. The tax does vary by county, however, since many of the counties impose local option taxes that exceed the uniform rate that's incorporated into the IFTA rate (and a few impose a little less), and there's an additional state inspection fee at the pump of 0.13 cents. <u>So you might add two cents for an average tax at the pump: roughly 33 cents.</u> And again, it doesn't vary with the price of fuel.</i></p>		
Georgia	IFTA = 19.8¢	Pump = 28-36¢
<ul style="list-style-type: none"> Excise tax is 7.5¢ per gallon State sales tax is 4% Local sales taxes can be added <p><i>Explanation: GA imposes a 4% state sales tax on motor fuel (3% of which is used for transportation, and 1% not), and all the counties seem to have an additional 3% and usually 4% sales tax on top of that. The IFTA rate, which is currently 19.8 cents on diesel, may be adjusted every 6 months, so it tends these days to be seriously out of phase. The pump tax rate is the base fuel tax rate of 7.5 cents, plus the state sales tax rate (4%), plus the local sales tax rate (let's say 3% as average), the latter two varying by price. So, at \$3 a gallon, the total pump tax would be 28.5 cents; at \$3.50, 32 cents; and, at \$4.00, 35.5 cents. (IFTA does not include local taxes)</i></p>		
North Carolina	IFTA = 29.9¢	Pump = 29.9¢
<ul style="list-style-type: none"> Tax is indexed, based on wholesale price of fuel, capped at 29.9¢ per gallon <p><i>Explanation: The tax rate is computed every six months, based on a flat rate of 17.5 cents per gallon plus either 3.5 cents or 7 percent of the average wholesale price of fuel for the preceding six months. The wholesale component of the tax is capped at 12.4 cents per gallon.</i></p>		
South Carolina	IFTA = 16¢	Pump = 16.75¢
<ul style="list-style-type: none"> Clean-up fees (75¢) paid at pump only 		
Tennessee	IFTA = 17¢	Pump = 18.4¢
<ul style="list-style-type: none"> .4¢ clean-up fee paid at pump only (1¢ inspection fee at pump, and on gasoline only) 		
Virginia	IFTA = 21.6¢*	Pump = 16.4¢
<ul style="list-style-type: none"> Wholly intrastate vehicles pay \$100 fee-in-lieu *Includes 13.5¢ per gallon surtax paid only through IFTA 0.6¢ clean-up fee paid at the pump only 		
Average (excluding South Carolina)		
	IFTA = 24.03¢	Pump = 25.94¢

NOTE: Gasoline Taxes are the same as the diesel "pump" price, except in Florida (21.17¢) and in Tennessee (21.4¢).