

# Vermont Legislative Joint Fiscal Office

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## *FISCAL NOTE*

Date: March 28, 2018

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### **H.918 An act relating to taxation of aircraft fuel – As Introduced – v.2 - [H.918 As Introduced](#)**

As relevant to this Fiscal Note, H.918 as Introduced:

- > Eliminates the current 6% sales tax on jet fuel;
- > Defines “aviation fuel” as jet fuel and aviation gasoline and imposes a fixed 28 cents-per-gallon tax on both; and
- > Provides that all the revenue from the tax on aviation fuel shall be deposited in the Transportation Fund and exclusively dedicated to airport projects.

As a consequence of the various provisions:

- > The 28 cent per gallon levy on aviation fuel does not include the TIB or TFund assessments;
- > No portion of the 28 cent levy on aviation fuel is allocated to the Fish & Wildlife Fund (F&W), to the Department of Forests, Parks and Recreation (FP&R) or to the DUI Enforcement Special Fund (DUI Fund);
- > The 1 cent per gallon Petroleum Clean-Up License fee does not apply to the aviation fuel tax; and
- > The aviation fuel tax is exempt from the local option tax.

#### **Impact on TFund**

The impact on H.918 on state revenue is minor, however, because: (1) None of the current sales tax on jet fuel goes to F&W, FP&R, the DUI Fund, TIB or the Petroleum Clean-Up Fund and (2) Sales of aviation gasoline are small.

The objective of H.918 is conform state law to Federal Aviation Administration regulations and with respect to the Transportation Fund is designed to be revenue neutral. The revenue neutral translation of the sales tax to a fixed 28 cents per gallon was based on gallons, price and aviation fuel tax receipts data from 2017. During 2017 the refinery spot rack price of jet fuel started out the year around \$1.56 per gallon, declined to a low of \$1.30 in Jun and then rose to \$1.95 in late December.<sup>1</sup> Since 2015, except for a brief dip in February 2016 to a low of \$0.97, jet fuel prices have been in the same range between \$1.30 and \$2.00. Between 2011 and 2014, however, prices were significantly higher, between \$2.68 and \$3.22.<sup>2</sup>

Conclusion: As long as aviation fuel prices remain in the range that has prevailed since 2015 H.918’s fixed-cents-per-gallon tax will be approximately revenue neutral. If rack prices dip for

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<sup>1</sup> [Indexmundi.com/commodities/jet-fuel/one\\_year](http://Indexmundi.com/commodities/jet-fuel/one_year)

<sup>2</sup> [Indexmundi.com/commodities/jet-fuel/10\\_year](http://Indexmundi.com/commodities/jet-fuel/10_year)

an entire year to the recent low of \$1.00, the fixed cent-per-gallon tax would bring in approximately \$250,000 more than the current sales tax. On the other hand if prices jumped for an entire year to the 2011-2014 high of \$3.22, the cent-per-gallon tax would result in a revenue loss in the range of \$200,000.

**Impact on other transportation related funds**

If enacted, H.918 as Introduced would have a negative impact on the state revenue allocated under current law to the Fish & Wildlife Fund, the Department of Forests, Parks and Recreation, the DUI Enforcement Special Fund and the Petroleum Clean-Up Fund in the aggregate annual range of \$5,200. This is based on AOT’s estimate that sales of aviation gasoline in calendar year 2017 amounted to 294,184 gallons. The details for the affected funds are:

**Current Law**

294,184	Aviation gasoline gallons sold per year
\$0.00375	Tax per gallon to F&W & Dept FPR
\$1,103	Annual revenue aviation gas tax to F&W & Dept FPR
\$838	F&W 76%
\$265	Dept FPR 24%
\$0.00380	Tax per gallon to DUI fund
\$1,118	Annual revenue aviation gas tax to DUI Fund
\$0.01	Petroleum Clean-Up fee
\$2,942	Annual revenue aviation gas sales to Petroleum Clean-Up Fund
\$5,163	Total

**Impact on South Burlington and PILOT**

AOT estimates that the exemption of jet fuel from the South Burlington local options tax would reduce annual revenue from that source by \$120,000 in total, the impact split \$84,000 borne by South Burlington and \$36,000 by PILOT.

**H.918 as redrafted by the House Transportation Committee**

H.918, as redrafted by the Transportation Committee:

- > Makes no change to the current state sales tax on jet fuel;
- > Defines “gasoline or other motor fuel” as including aviation gasoline; and
- > Provides that all the revenue from the sales tax on jet fuel and the gasoline tax on aviation gasoline shall be deposited in the Transportation Fund and exclusively dedicated to airport projects.

As a consequence of the various provisions:

- > The sales tax on jet fuel is exempt from the local option tax (with the same impact on South Burlington and PILOT as noted above);
- > The cent-per-gallon levy on aviation gasoline includes the TIB and TFund assessments;
- > No portion of the cent-per-gallon levy on aviation gasoline is allocated to the Fish & Wildlife Fund (F&W), to the Department of Forests, Parks and Recreation (FP&R) or to the DUI Enforcement Special Fund(DUI Fund); and

> The 1 cent per gallon Petroleum Clean-Up License fee still applies to the aviation fuel tax.

If enacted, the Transportation Committee's redraft of H.917 as Introduced would have a negative impact on the state revenue allocated under current law to the Fish & Wildlife Fund, the Department of Forests, Parks and Recreation and the DUI Enforcement Special Fund in the aggregate annual range of \$2,250. The details for the affected funds are:

**Current Law**

294,184	Aviation gasoline gallons sold per year
\$0.00375	Tax per gallon to F&W & Dept FPR
\$1,103	Annual revenue aviation gas tax to F&W & Dept FPR
\$838	F&W 76%
\$265	Dept FPR 24%
\$0.00380	Tax per gallon to DUI fund
\$1,118	Annual revenue aviation gas tax to DUI Fund
\$2,221	Total

For perspective, the current annual rate of gasoline tax revenue allocated to the Fish & Wildlife Fund, the Department of Forests, Parks and Recreation, the DUI Enforcement Special Fund and the Petroleum Clean-Up Fund is described below:

**Current Annual Revenue Rates**

314,331,908	Gasoline gallons sold 12 months ending January 2018
\$0.00375	Tax per gallon to F&W & Dept FPR
\$1,178,745	Annual revenue aviation gas tax to F&W & Dept FPR
\$895,846	F&W 76%
\$282,899	Dept FPR 24%
\$0.01	Petroleum Clean-Up fee
\$3,143,319	Annual revenue aviation gas sales to Petroleum Clean-Up Fund