

# OVERVIEW OF TRANSPORTATION TAXES

## HOUSE WAYS & MEANS COMMITTEE

WEDNESDAY, JANUARY 20, 2021



*Vermont Legislative*  
**JOINT FISCAL OFFICE**

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# AGENDA

- 1) How does VT pay for transportation?
- 2) Trends over time
- 3) Questions?



# HOW DOES VERMONT PAY FOR TRANSPORTATION?

# TRANSPORTATION FUNDING

- Vermont funds its transportation program through a mix of state and federal funds.
- Like most states, Vermont relies heavily on “user fees” to fund transportation.
- This money is deposited into a dedicated **Transportation Fund (the T-Fund)** according to statute.
- The **Transportation Fund** is the primary state funding source for AOT and also supports the VT State Police and some other programs.
- A second, smaller sub-fund, the **Transportation Infrastructure Bond Fund (TIB Fund)**, supports larger-scale capital projects through a dedicated assessment on gas and diesel.

# TRANSPORTATION FUND (T-FUND)

Revenue comes from:

- A fixed per-gallon gasoline tax.
  - 11.245 cents to the T-Fund
  - 0.855 cents split between DUI Fund and Fish and Wildlife Fund
  - 1 cent per gallon to the Petroleum Clean-Up Fund
  - Consumers pay a total of **13.1 cents per gallon** in state gasoline tax.
    - In FY19, approximately 314,671,179 gallons of gas were sold. At that consumption rate, each 1 cent increase would yield approximately \$3.15 million in additional revenue.
- A variable gasoline assessment of approximately 4% (MFTA).
  - Similar to a special sales tax on the average retail price of gasoline.
  - Subject to a floor of 13.4 cents per gallon and a ceiling of 18 cents per gallon.
  - The floor applies when gas prices fall below \$3.87 and the ceiling applies when prices exceed \$5.08



# TRANSPORTATION FUND (T-FUND)

Revenue comes from:

- A fixed per-gallon **diesel tax**.
  - 28 cents per gallon to the T-Fund
  - 1 cent to the Petroleum Clean-Up Fund
- **Motor Vehicle Purchase & Use Tax**
  - Tax levied at the rate of 6% of the market value (less trade-in allowance) on motor vehicle purchases.
  - 2/3 of P&U Tax revenue goes to the T-Fund, 1/3 to the Education Fund.
- **DMV Fees**
- **Other Revenue**



# TIB FUND

Revenue comes from:

- A fixed 3 cents per-gallon diesel tax.
- A 2% gasoline assessment (MFTIA).
  - Operates similar to the 4% T-Fund gasoline assessment.
  - Minimum rate of 3.96 cents per gallon, no maximum.
- TIB Fund can only be expended on certain long-lived transportation structures (e.g. bridges, roads, culverts), either through direct payment or payment of debt service.
- 3 TIB bond issues sold between 2010 and 2013 for a total of \$36.385M. Debt service totals approximately \$2.5 million/year.
  - <https://www.vermonttreasurer.gov/content/debt/bonds-disclaimer/bonds>

# GASOLINE ASSESSMENTS

- Gas taxes and assessments are paid at distributor level and collected by DMV.
- For administrative reasons, the 4% gas assessment and 2% gas TIB assessment work differently than the flat-rate per gallon gas tax.
  - DPS surveys average retail gas prices each month and publishes data online.
  - DMV will look at the average prices for the prior calendar quarter and then deduct all of the state and federal taxes and assessments levied during the prior quarter from that average.
  - DMV will then take that tax-adjusted average price from the prior quarter and use that figure for calculating how much to charge in gas assessments in the future quarter (e.g. whether the floor or ceiling should apply). The assessments are converted from a percentage to a cent-per-gallon equivalent and charged to distributors.





# WHAT VERMONTERS PAY IN TOTAL MOTOR FUEL TAXES

| GASOLINE                              |  |
|---------------------------------------|--|
| Levy                                  | Amount   |
| Gasoline Tax                          | 12.1 cents per gallon  |
| Petroleum Clean-Up Fee                | 1 cent per gallon  |
| TFund Assessment                      | 4% of the retail price, excluding all state and federal levies, with a floor of 13.4 cents per gallon and a ceiling of 18 cents per gallon |
| TIB Assessment                        | 2% of the retail price, excluding all state and federal levies, with a floor of 3.96 cents per gallon                                      |
| <b>Total State levies</b>             | 13.1 cents per gallon + the 4% TFund assessment + the 2% TIB Assessment  |
| <b>Federal Gasoline Tax</b>           | 18.4 cents per gallon  |
| <b>Total State and Federal levies</b> | 31.5 cents per gallon + the 4% TFund assessment + the 2% TIB Assessment  |

| DIESEL                                |                       |
|---------------------------------------|-----------------------|
| Levy                                  | Amount                |
| Diesel Tax                            | 28 cents per gallon   |
| Petroleum Clean-Up Fee                | 1 cent per gallon     |
| TIB Assessment                        | 3 cents per gallon    |
| <b>Total State levies</b>             | 32 cents per gallon   |
| <b>Federal Diesel Tax</b>             | 24.4 cents per gallon |
| <b>Total State and Federal levies</b> | 56.4 cents per gallon |

- The total minimum gas tax rate is 48.86 cents/gallon, including the federal tax.
- VT's state gas tax equates to a minimum of 30.46 cents/gallon (approx. 26<sup>th</sup> in the nation) and VT diesel tax is 23<sup>rd</sup> highest in the nation.

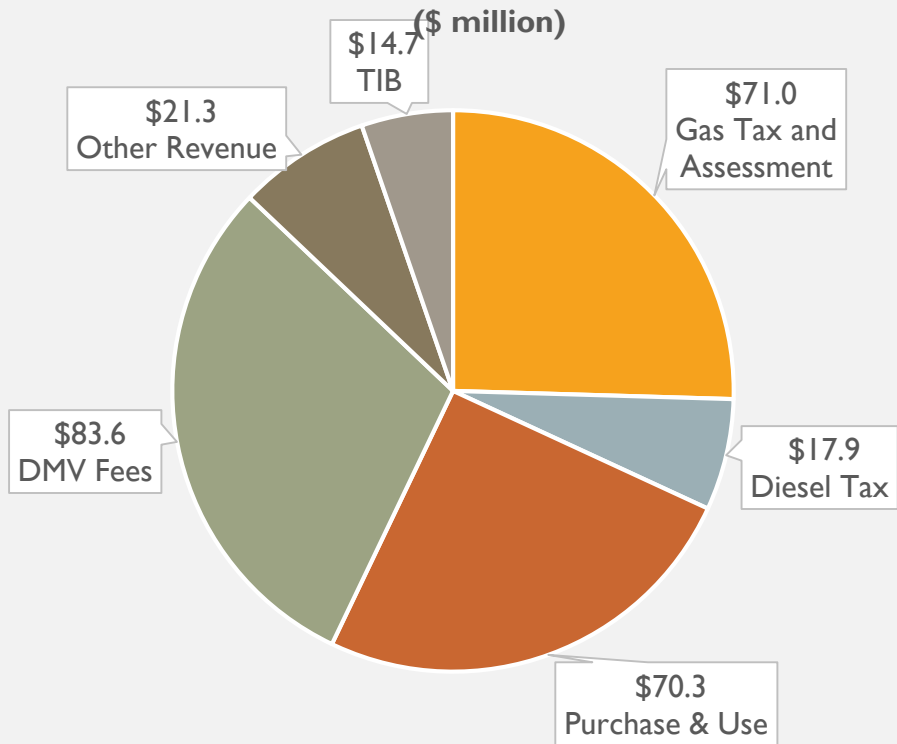
## HOW DOES VT COMPARE TO NEARBY STATES?

| State          | Gas Tax Rate       | National Rank |
|----------------|--------------------|---------------|
| California     | 62.47 cents        | #1            |
| Pennsylvania   | 58.70 cents        | #2            |
| New York       | 43.12 cents        | #7            |
| New Jersey     | 41.40 cents        | #10           |
| Connecticut    | 35.75 cents        | #15           |
| Rhode Island   | 35.00 cents        | #17           |
| <b>Vermont</b> | <b>30.46 cents</b> | <b>#26</b>    |
| Maine          | 30.01 cents        | #27           |
| Massachusetts  | 26.54 cents        | #33           |
| New Hampshire  | 23.83 cents        | #39           |
| Alaska         | 13.77 cents        | #50           |

As of July 2020. Source: The Tax Foundation

# TRANSPORTATION AND TIB REVENUE SOURCES

**FY20 State Transportation Revenue Sources**



## T-FUND

| Revenue Source         | FY20 Collections       | % of T Fund |
|------------------------|------------------------|-------------|
| Gas Tax and Assessment | \$71.0 million         | 26.9%       |
| Diesel Tax             | \$17.9 million         | 6.8%        |
| Purchase & Use         | \$70.3 million         | 26.6%       |
| DMV Fees               | \$83.6 million         | 31.7%       |
| Other Revenue          | \$21.3 million         | 8.1%        |
|                        | <b>\$264.1 million</b> |             |

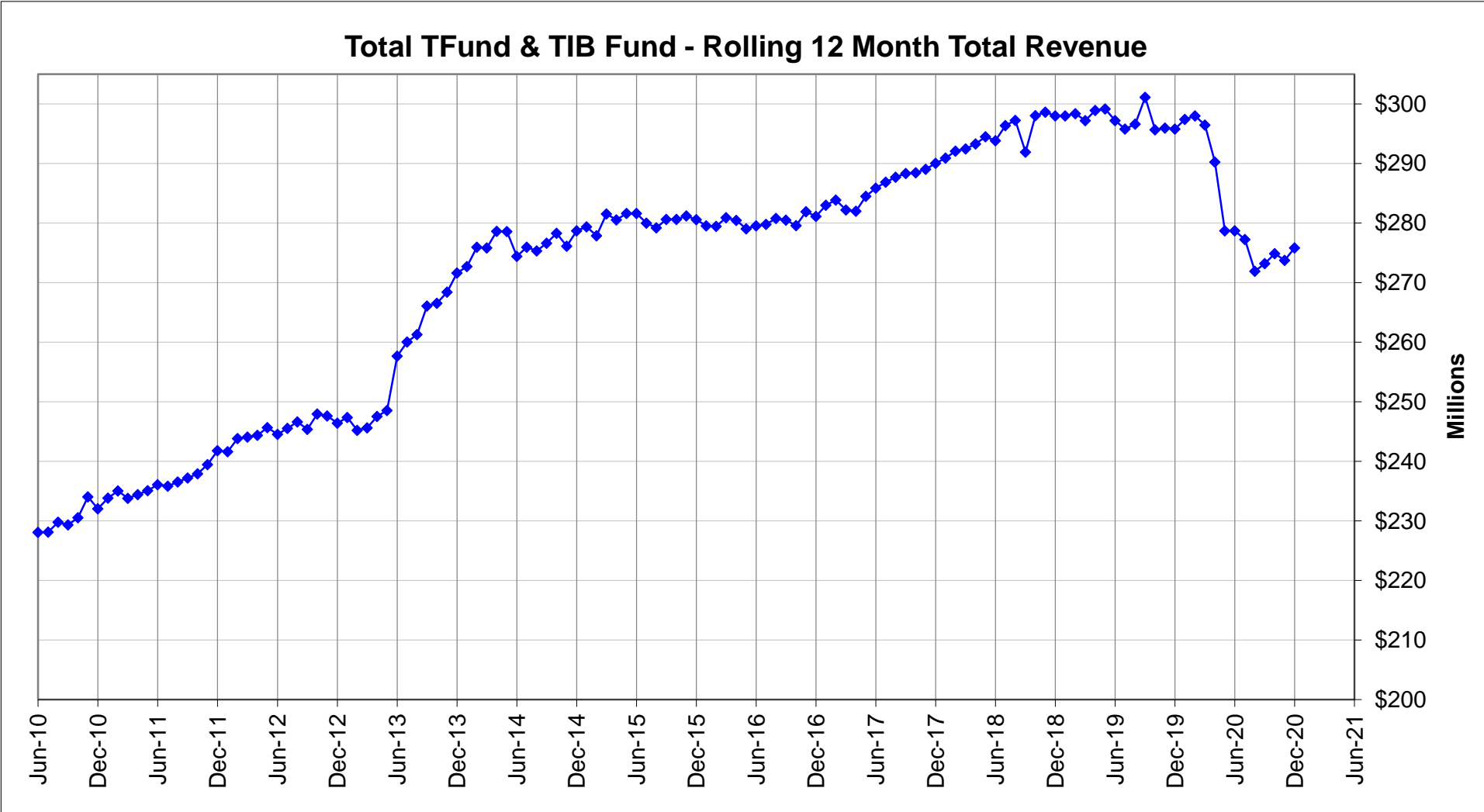
## TIB FUND

| Revenue Source          | FY20 Collections      | % of TIB Fund |
|-------------------------|-----------------------|---------------|
| Gas TIB Assessment (2%) | \$12.7 million        | 86.4%         |
| Diesel TIB and Other    | \$2.0 million         | 13.6%         |
|                         | <b>\$14.7 million</b> |               |

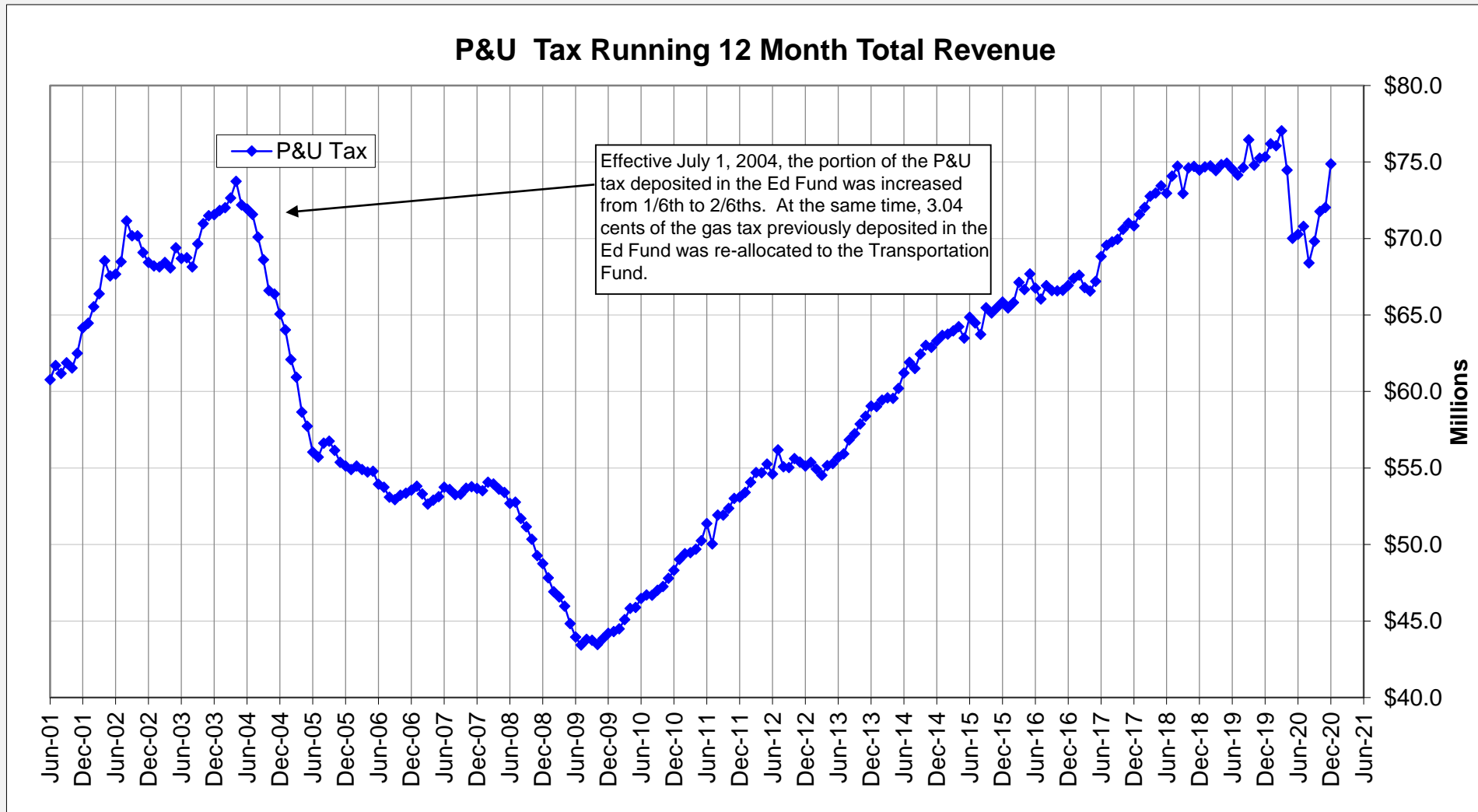


TRENDS OVER TIME

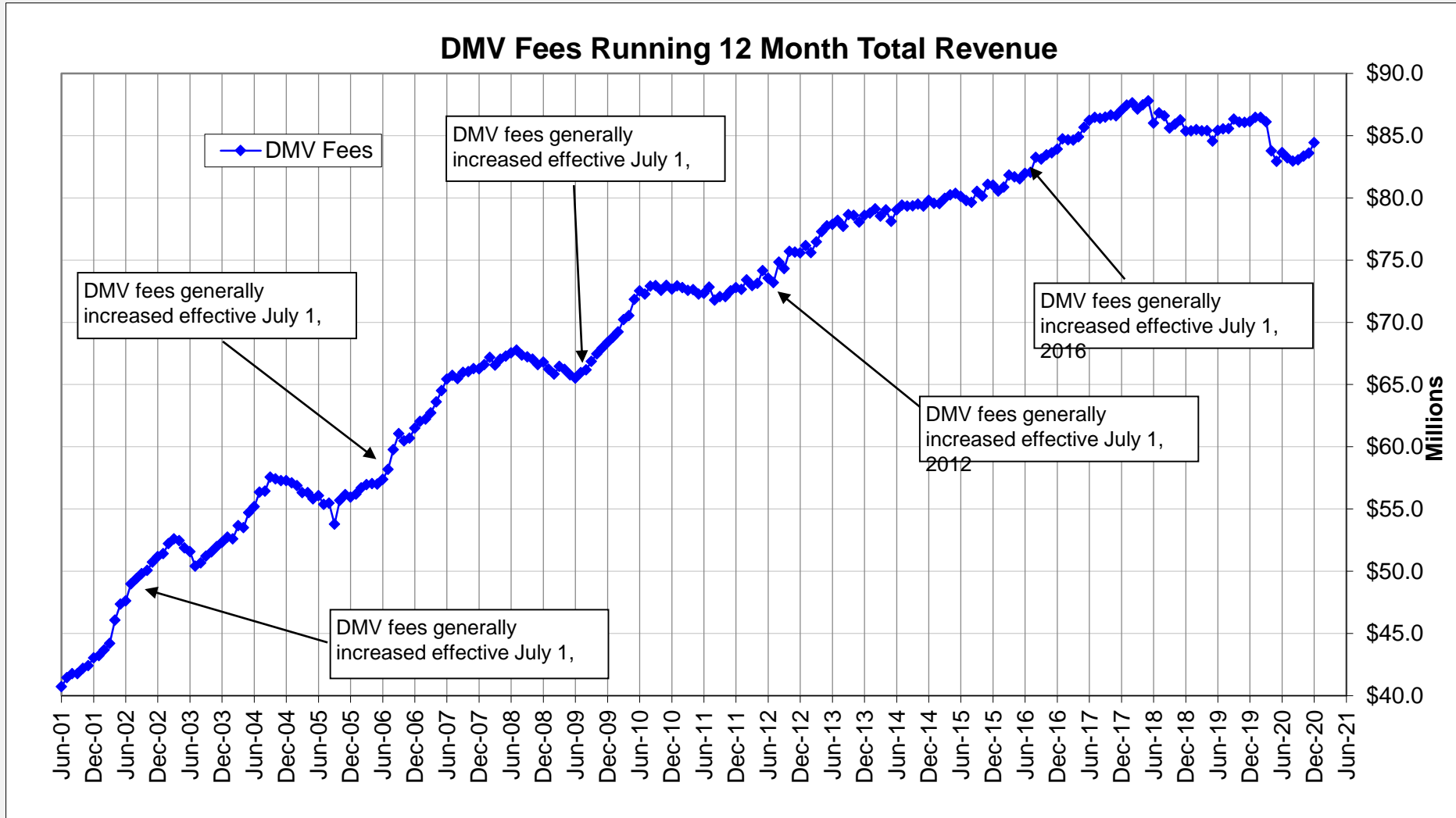
# TRANSPORTATION REVENUES OVER TIME



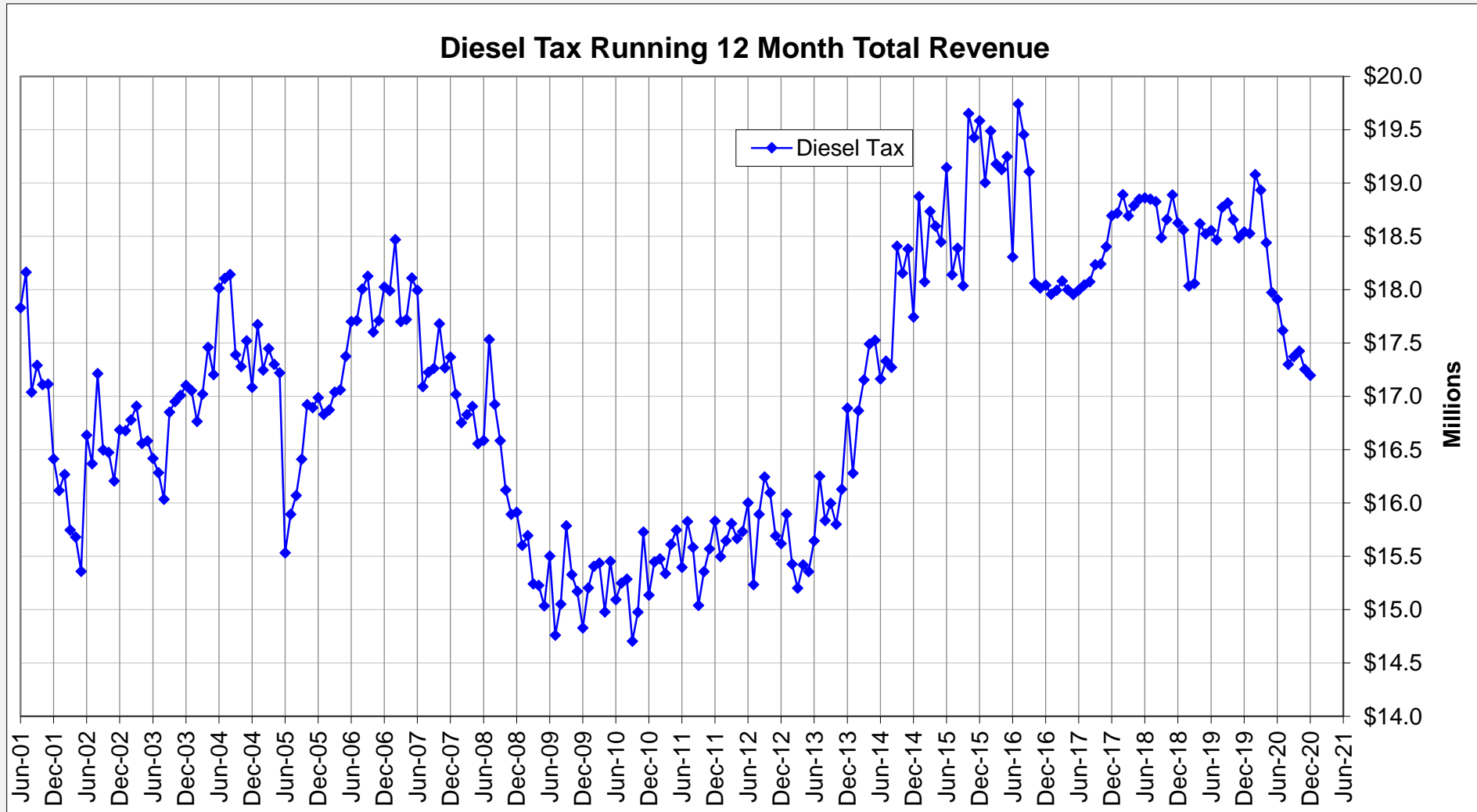
# TRANSPORTATION REVENUES OVER TIME



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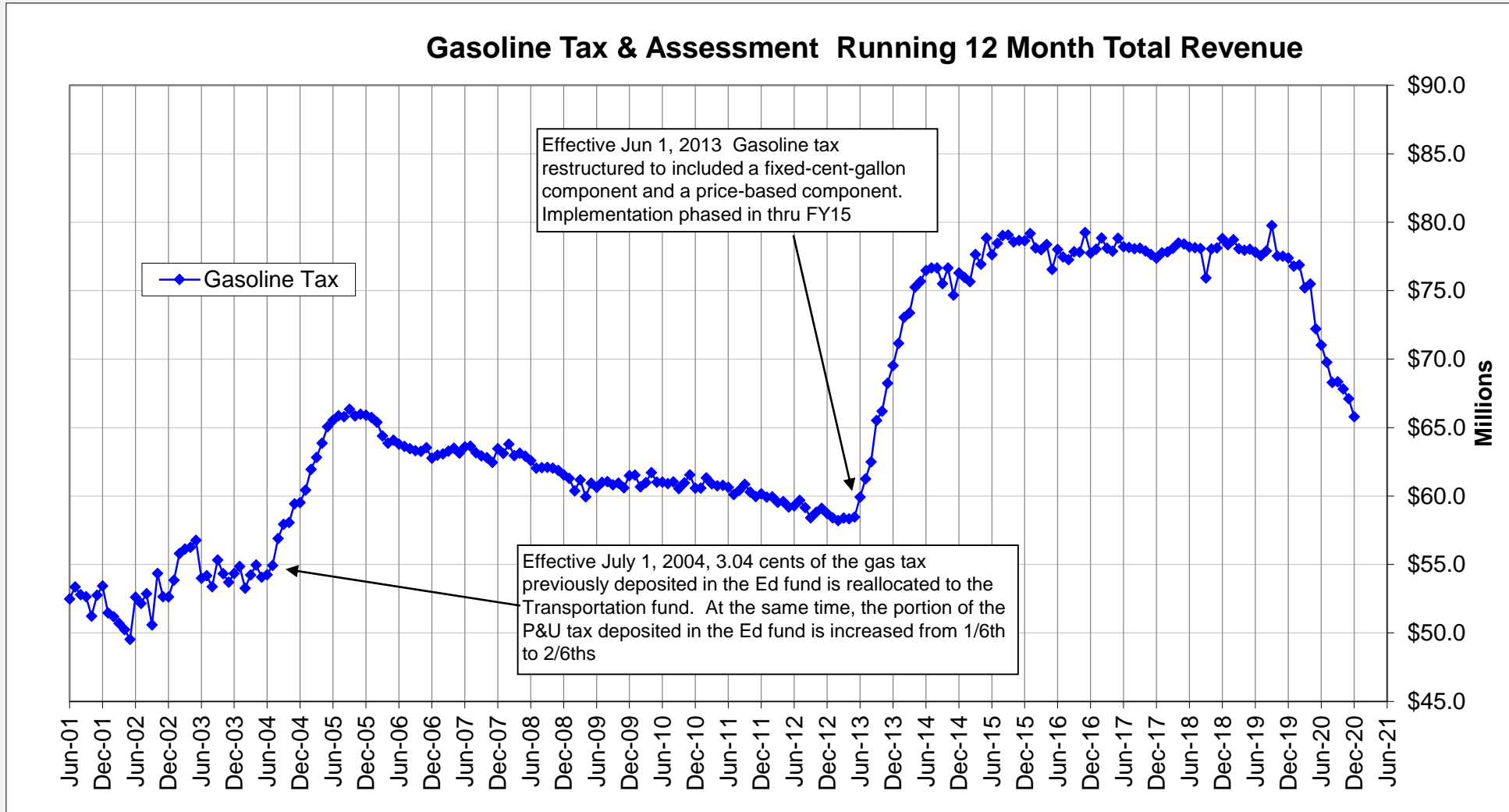


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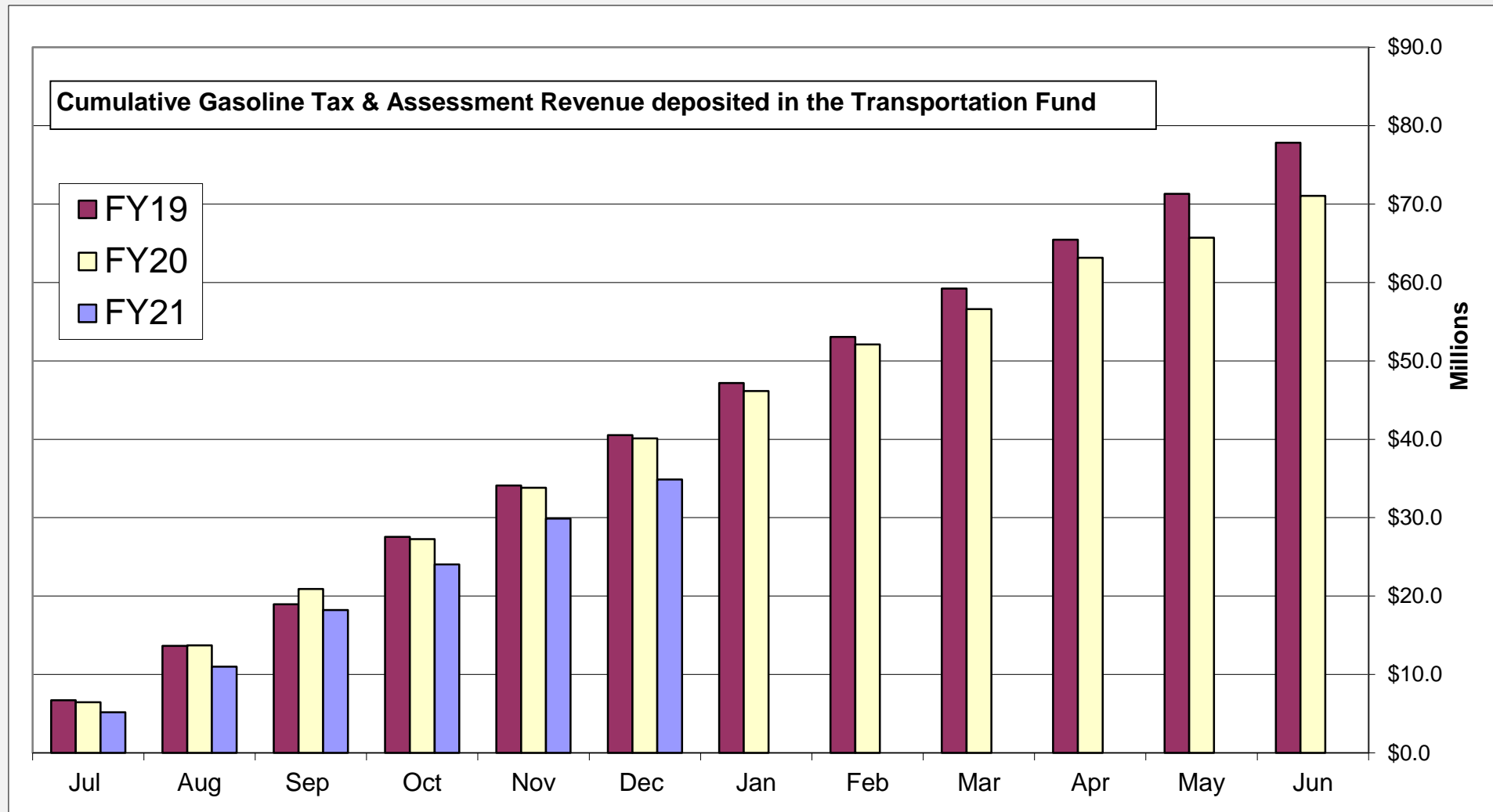




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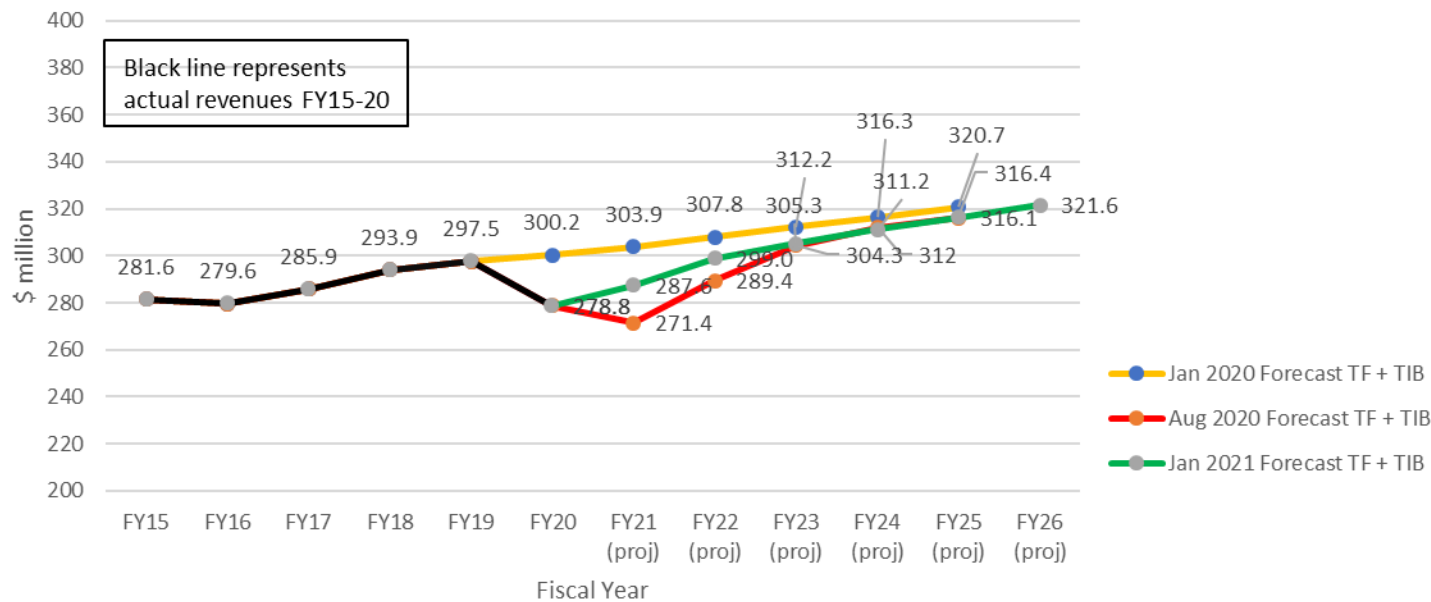


# TRANSPORTATION REVENUES OVER TIME



# JANUARY 2021 REVENUE FORECAST

Projected Combined T-Fund and TIB Fund State Revenues



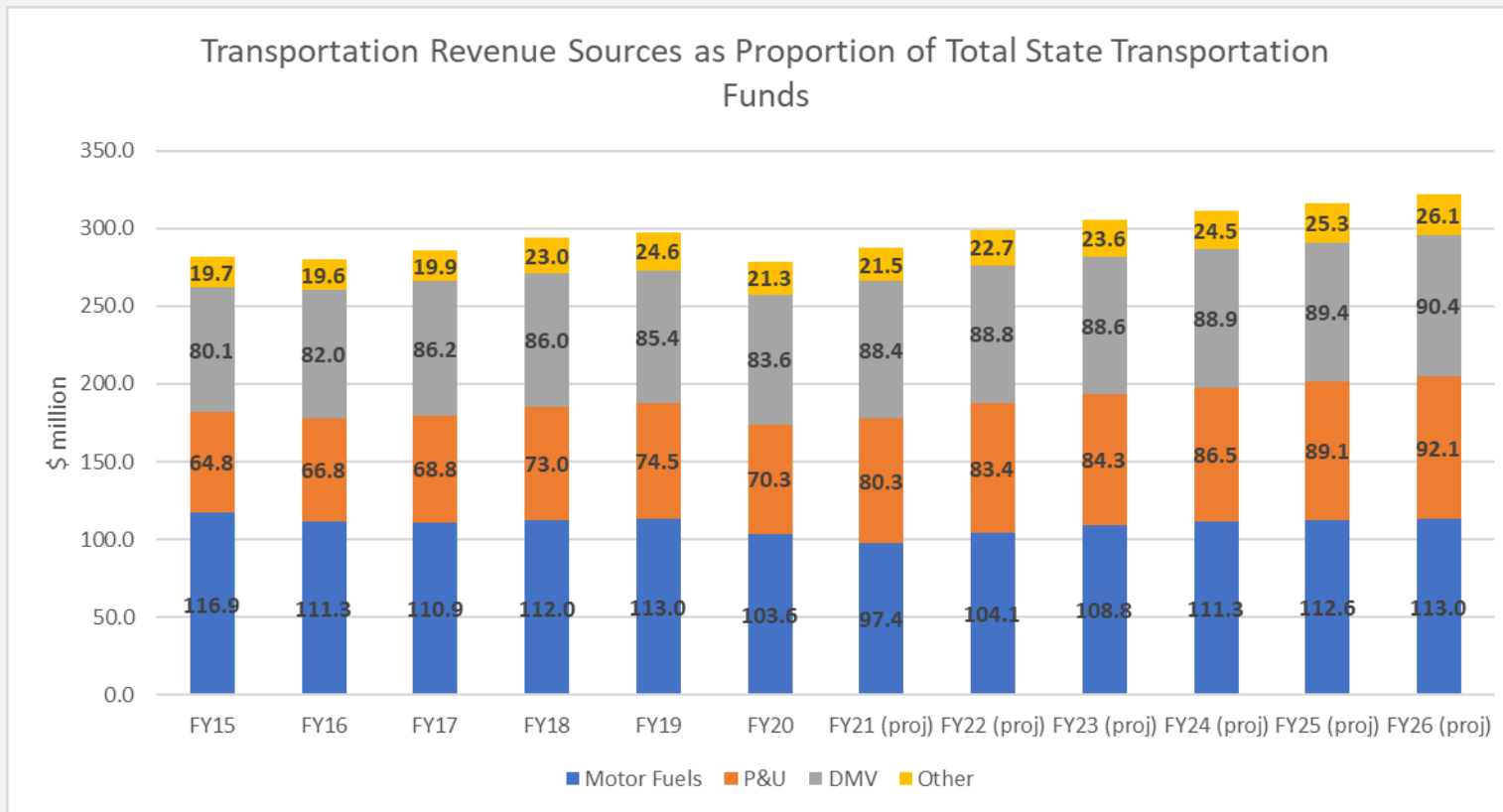
The Jan 2021 forecast upgrades the outlook for state-generated transportation revenue compared to the Aug 2020 forecast by a cumulative total of \$26.3 million across FY21-25, but revenues are still projected to be below the pre-COVID Jan 2020 forecast. The Jan 2021 forecast predicts a cumulative total revenue loss of \$62.8 million between FY20 and FY25 compared to the pre-COVID Jan 2020 forecast (the total difference between the yellow and green lines). In comparison, the Aug 2020 forecast projected a cumulative decline of \$89.1 million over the same time period.

The January 2021 consensus revenue forecast upgraded the forecast for transportation funds compared to the August 2020 forecast.

However, the upgraded forecast remains below the pre-COVID January 2020 forecast.

Per the January 2021 forecast, total state transportation taxes/fees are projected to be \$62.8 million less between FY20 – FY25 than predicted a year ago.

# JANUARY 2021 REVENUE FORECAST



The January 2021 consensus revenue forecast predicts that motor fuels taxes/assessments will comprise a shrinking percentage of overall state transportation revenues in future years.

|              |       |
|--------------|-------|
| FY15:        | 41.5% |
| FY20:        | 37.2% |
| FY26 (proj): | 35.1% |

# TRANSPORTATION REVENUES OVER TIME

- Transportation revenues are paid primarily by motorists. The more you drive, the more you pay (in theory...)
- However, these revenues are sensitive to overall economic conditions and changing modes of transportation.
  - Auto sales
  - Fuel usage and prices
  - Electric vehicles and alternative fuels?
- Gas consumption has steadily declined over time and so has gas tax revenue. P&U and DMV fees have provided a steadily increasing amount of revenue, which has helped to counteract declining motor fuel tax collections and keep pace with inflation.
- Detailed revenue reports with historical data available on JFO website under Subjects>All Subjects>Transportation <https://ljfo.vermont.gov/subjects/transportation>

# QUESTIONS?

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[Transportation Committee Primer Document](#)

