

Purchase and Use Tax

House Transportation

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JFO

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Outline

1. Purchase and Use Overview
2. History of the Purchase and Use Tax
3. T-Funds and Ed Fund Allocations
4. Options for changing allocations
5. Questions?



Purchase and Use Revenue Overview

- 6% tax on the value (less trade-in allowance) of motor vehicle purchases**
- 9% tax on rental charges for short-term vehicle rentals**

- The Transportation Fund received 2/3rd of Purchase and Use tax revenue
- The Education Fund receives 1/3rd of the Purchase and Use tax revenue

Purchase and Use Tax Revenue and allocation break down under current law									
\$ millions									
Revenue Source	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	Forecast CAGR FY2025-2030
	Actual		Forecast -->						
Total Purchase & Use Tax	142.2	144.9	152.0	157.5	162.5	167.6	172.8	178.0	3.22%
<i>T-fund Allocation</i>	94.8	96.6	101.3	105.0	108.3	111.7	115.2	118.7	
<i>Ed Fund Allocation</i>	47.4	48.3	50.7	52.5	54.2	55.9	57.6	59.3	



Transportation Revenue Forecast

Vermont Transportation Revenue Forecast (January 2025)									
Revenue Source	FY 2023 Actual	FY 2024 Actual	FY 2025 Forecast	FY 2026 Forecast	FY 2027 Forecast	FY 2028 Forecast	FY 2029 Forecast	FY 2030 Forecast	Forecast CAGR FY2025-2030
Gasoline Tax and Assessment (MFTA)	73.8	71.4							
Jan-25			71.3	70.7	70.3	69.7	69.0	68.0	-0.94%
Diesel Tax	17.6	17.8							
Jan-25			18.0	17.9	17.8	17.6	17.5	17.4	-0.68%
Purchase & Use Tax	94.8	96.6							
Jan-25			101.3	105.0	108.3	111.7	115.2	118.7	3.22%
DMV Fees	87.5	93.6							
Jan-25			103.6	104.3	105.2	105.9	106.8	107.6	0.76%
Miscellaneous Revenue	21.4	23.6							
Jan-25			26.7	28.1	27.3	27.9	28.6	29.3	1.88%
Total Transportation Fund Revenue - Jan 2025	295.1	303.0	320.9	326.0	328.9	332.8	337.1	341.0	1.22%



Purchase and Use History

Purchase and Use Tax History 1960-2004	
Year	Action
1960	Motor vehicle purchase and use tax is created rate is set at 2%, maximum of \$150
1961	Rate raised to 3%, maximum of \$225
1968	Rate raised to 4%, maximum of \$300
1980	Maximum raised to \$400
1981	Maximum raised to \$500
1982	Maximum raised to \$600
1986	Maximum cap is eliminated for pleasure car
1991	Rate raised from 4% to 5%. Rate to revert to 4% on July 1, 1993
1993	5% rate extended one year
1995	5% rate extended one year
1996	5% rate extended one year
1997	As part of Act 60, rate is increased to 6%. Additionally as apart of Act 60 the gas tax is raised 4 cents to 19 cents per gallon (to be used for education financing)
1998	All revenue from the 1% increase to 6% is directed to the general fund for education funding. The education fund is created effective July 1, 1998 and defined to include 1/6th of the purchases and use and 21% of gax tax in FY 1999 and 16% thereafter
2004	In a revenue swap, the gas tax allocation to the ed fund is reallocated to the T-fund while the protion of purchases and use allocted to the ed fund is increased to 1/3rd



Transportation Fund and Education Fund allocations under current law (in million \$)

Pre 2005

- Ed Fund allocation: 1/6th P&U and 16% of the gas tax
- The T-Fund received 5/6th P&U and 84% of the Gas tax

Post 2005

- The Education Fund receives 1/3rd P&U and 0% of the gas tax
- T-Fund receives 2/3rd P&U and all of the gas tax

Forecasted

	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026
ACTUAL P&U																								
Transportation Fund	68.7	71.9	56.0	53.9	53.7	52.7	44.0	46.5	51.4	54.6	55.7	61.2	64.8	66.8	68.8	73.0	74.5	70.3	89.4	91.4	94.8	96.6	101.3	105.0
Ed Fund	13.4	14.3	28.0	27.0	26.9	26.3	22.0	23.2	25.7	27.3	27.9	30.6	32.4	33.4	34.4	36.5	37.3	35.1	44.7	45.7	47.5	48.4	50.7	52.5
Total P&U Revenue	82.1	86.2	84.1	80.9	80.6	79.0	65.9	69.7	77.1	81.9	83.6	91.8	97.3	100.1	103.2	109.4	111.8	105.4	134.1	137.1	142.2	144.9	152.0	157.5
	EF 1/6		EF 1/3 -->																					
ACTUAL GAS TAX																								
Transportation Fund	54.0	54.3	65.5	63.8	63.6	62.6	60.6	61.0	60.6	59.3	59.9	76.5	77.6	78.0	78.2	78.2	77.8	71.0	67.3	71.9	73.8	71.4	71.3	70.7
Ed Fund	10.8	10.8	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Gas Tax Revenue	64.8	65.1	65.5	63.8	63.6	62.6	60.6	61.0	60.6	59.3	59.9	76.5	77.6	78.0	78.2	78.2	77.8	71.0	67.3	71.9	73.8	71.4	71.3	70.7
	EF 16%																							
Actual Totals																								
Transportation Fund	122.7	126.2	121.6	117.7	117.3	115.3	104.6	107.5	112.0	113.9	115.6	137.7	142.5	144.8	147.0	151.1	152.4	141.3	156.7	163.3	168.6	168.0	172.6	175.7
Ed Fund	24.2	25.1	28.0	27.0	26.9	26.3	22.0	23.2	25.7	27.3	27.9	30.6	32.4	33.4	34.4	36.5	37.3	35.1	44.7	45.7	47.5	48.4	50.7	52.5
Total	146.9	151.3	149.6	144.7	144.2	141.6	126.6	130.7	137.7	141.2	143.5	168.3	174.9	178.2	181.5	187.6	189.6	176.4	201.3	209.0	216.1	216.4	223.3	228.2



Transportation Fund and Education Fund allocations under per-2005 law (in million \$)

	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026
HYPOTHETICAL P&U	Actual		Hypothetical -->																					
Transportation Fund	68.7	71.9	70.1	67.4	67.2	65.9	54.9	58.1	64.2	68.3	69.6	76.5	81.1	83.4	86.0	91.2	93.2	87.8	111.7	114.2	118.5	120.8	126.7	131.3
Ed Fund	13.4	14.3	14.0	13.5	13.4	13.2	11.0	11.6	12.8	13.7	13.9	15.3	16.2	16.7	17.2	18.2	18.6	17.6	22.3	22.8	23.7	24.2	25.3	26.3
Total P&U Revenue	82.1	86.2	84.1	80.9	80.6	79.0	65.9	69.7	77.1	81.9	83.6	91.8	97.3	100.1	103.2	109.4	111.8	105.4	134.1	137.1	142.2	144.9	152.0	157.5
			EF 1/6 -->																					
HYPOTHETICAL GAS TAX																								
Transportation Fund	54.0	54.3	55.1	53.6	53.4	52.6	50.9	51.3	50.9	49.8	50.3	64.3	65.2	65.5	65.7	65.7	65.4	59.7	56.5	60.4	62.0	60.0	59.9	59.4
Ed Fund	10.8	10.8	10.5	10.2	10.2	10.0	9.7	9.8	9.7	9.5	9.6	12.2	12.4	12.5	12.5	12.5	12.5	11.4	10.8	11.5	11.8	11.4	11.4	11.3
Total Gas Tax Revenue	64.8	65.1	65.5	63.8	63.6	62.6	60.6	61.0	60.6	59.3	59.9	76.5	77.6	78.0	78.2	78.2	77.8	71.0	67.3	71.9	73.8	71.4	71.3	70.7
			EF 16% -->																					
Hypothetical Totals																								
Transportation Fund	122.7	126.2	125.1	121.0	120.6	118.4	105.9	109.3	115.1	118.1	120.0	140.8	146.3	149.0	151.7	156.9	158.5	147.5	168.2	174.6	180.5	180.7	186.6	190.6
Ed Fund	24.2	25.1	24.5	23.7	23.6	23.2	20.7	21.4	22.5	23.1	23.5	27.5	28.6	29.2	29.7	30.7	31.1	28.9	33.1	34.3	35.5	35.6	36.7	37.6
Total	146.9	151.3	149.6	144.7	144.2	141.6	126.6	130.7	137.7	141.2	143.5	168.3	174.9	178.2	181.5	187.6	189.6	176.4	201.3	209.0	216.0	216.3	223.3	228.2
TF - Actual Vs Senerio	0.0	0.0	-3.5	-3.3	-3.3	-3.2	-1.3	-1.9	-3.1	-4.2	-4.3	-3.1	-3.8	-4.2	-4.7	-5.7	-6.2	-6.2	-11.6	-11.3	-11.9	-12.7	-14.0	-14.9
EF - Actual Vs Senerio	0.0	0.0	3.5	3.3	3.3	3.2	1.3	1.9	3.1	4.2	4.3	3.1	3.8	4.2	4.7	5.7	6.2	6.2	11.6	11.3	11.9	12.8	14.0	14.9

Total TF Difference (2005-2026): **-138.3** Million over 22 years, Average of **-6.3** Million per year.



Options for Changing the Allocations

1. Revert to the Per-2005 allocations or a variation of them
2. Remove the Purchase and Use allocation to the Education Fund
3. Lower the amount allocated to the Education Fund
4. Cap the amount of purchase and use that goes to the Education fund

Note: Any reduction in Education Fund revenues absent a complementary revenue increase or cost decrease will result in an increase to the property tax rate.

Option 1: Revert to the Per-2005 allocations or a variation of them

The Ed Fund would receive 1/6th purchase and use and 16% of the gas tax
The T-fund would receive the remaining portions

This change would decrease Ed Fund revenues by **\$14.9M** in FY26

This change would increase T-fund revenues by **\$14.9M** in FY26



Options for Changing the Allocations

Option 2: Remove the Purchase and Use allocation to the Education Fund

The Ed Fund would receive none of the purchase and use tax revenue

The T-fund would receive 100% of the purchase and use tax revenue

This change would decrease Ed Fund revenues by **\$52.5M** in FY26

This change would increase T-fund revenues by **\$52.5M** in FY26

Option 3: Lower the amount allocated to the Education Fund

The Ed Fund currently receives 1/3rd or 33.34% of the purchase and use tax revenue

Every 1% decrease in the Ed fund allocation equals a reduction of ~\$1.6M in FY26

- $\$157.5\text{M} \times 33.34\% = \mathbf{\$52.5\text{M}}$
- $\$157.5\text{M} \times 32.34\% = \mathbf{\$50.9\text{M}}$



Options for Changing the Allocations

Option 4: Cap the amount of purchase and use that goes to the Education fund

1. The Ed Fund would receive 1/3rd purchase and use up to a set amount, e.g. **\$50M**
Or
2. The Ed Fund would receive 1/3rd of the first **\$150M** of purchase and use revenue, then **0%** of anything above that.

Cap could be set at any amount and additional revenue into the T-fund would be based on purchase and use revenue generated above the capped amount.



Questions?

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